

HOUSE OF COMMONS

Second Report from the

**ENVIRONMENT  
COMMITTEE**

Session 1980-81

**COUNCIL HOUSE SALES**

**VOLUME I**

**REPORT**

**Together with the Proceedings of the Committee relating  
to the Report**

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*Ordered by The House of Commons to be printed*

*16 June 1981*

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**LONDON**

**HER MAJESTY'S STATIONERY OFFICE**

**£5.70 net**

HC 366-I

HC 535 i-xi (1979-80)

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The Environment Committee is appointed under S.O. No 86A to examine the expenditure, administration and policy of the Department of the Environment and associated public bodies and similar matters within the responsibilities of the Secretary of State for Northern Ireland.

The Committee consists of eleven Members, of whom the quorum is three. Unless the House otherwise orders, all Members nominated to the Committee continue to be members of it for the remainder of the Parliament.

The Committee has power:

- (a) to send for persons, papers and records, to sit notwithstanding any adjournment of the House, to adjourn from place to place, and to report from time to time;
- (b) to appoint persons with technical knowledge either to supply information which is not readily available or to elucidate matters of complexity within the Committee's order of reference.

*26 November 1979*

The Environment Committee was nominated of:

Mr Donald Anderson, Mr David Atkinson, Mr Frank Dobson, Mr Bruce Douglas-Mann, Mr Jim Marshall, Dr Brian Mawhinney, Mr Norman Miscampbell, Mr Nicholas Scott, Mr Robin Squire, Mr Malcolm Thornton and Mr David Winnick.

*14 December 1979*

Mr Donald Anderson discharged  
Mr David Atkinson discharged

Mr Geoffrey Johnson Smith added

*1 February 1980*

Mr John Sever added

*23 January 1981*

Mr Jim Marshall discharged

*13 April 1981*

Mr Reginald Freeson added

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## FOOTNOTES

Where memoranda have been printed the footnote reference to them includes a page reference to the Evidence. Unprinted papers are identified merely by the reference number given them by the Committee.

## INTRODUCTION

## CHAPTER 1

## Terms of Reference and Scope of Enquiry

1. On 18 February 1980 Your Committee invited 151 witnesses to provide written evidence on the financial and social implications of the sale of council dwellings in England. Letters and questionnaires were sent to the Secretary of State for the Environment, 70 local housing authorities, three associations of local authorities, seven county planning and other planning authorities, 20 construction companies, eight credit institutions, nine clearing and merchant banks, 19 pressure groups, seven academics or academic institutions and seven professional bodies. The questions posed varied from group to group: details will be found in the Minutes of Evidence or the Appendices to the Minutes of Evidence.

2. The Committee sought evidence from a substantial number of local authorities in order to draw on a wide range of experience and views on the issues involved in the sale of council homes. The sample included a good balance of authorities in cities, metropolitan boroughs, new towns, urban and rural areas, including National Parks and Areas of Outstanding Natural Beauty and was drawn from every region of the country. There were 37 authorities currently selling, and 27 not selling (although only five had no previous experience of sales) and a mix of authorities with Conservative, Labour, Liberal or Independent majorities or with no overall control. The authorities consulted by the Committee varied greatly in population size, size and structure of their housing stock, and levels of housing demand and house prices. They included the largest housing authorities (the Greater London Council and Birmingham) and some of the smallest (e.g. Teesdale) as well as those with very large proportions of public housing (Skelmersdale 80 per cent, Knowsley 69 per cent, Southwark 65 per cent) and those with very small proportions (Harrow 12 per cent, Blackpool 13 per cent, Medina 15 per cent and North Wolds, 16 per cent).

3. The sample of local authorities was thus such as to draw to the attention of the Committee any substantial body of opinion or experience on the issue of council house sales. As it was not a random sample, however, the Committee has exercised some care in drawing inferences about the proportion of authorities with any given experience or holding any given view.

4. Submissions of written evidence, including some from volunteers who wished to be associated with the Enquiry, came to a total of 144. Additionally, between 1 April and 8 July 1980, the Committee took oral evidence in 15 sessions, from witnesses from city councils, London boroughs, other local authorities, new towns institutions or associations connected with housing, Mr Bernard Kilroy and the Department of the Environment. The Committee is grateful to all those for the time and effort spent in preparing what were often lengthy and detailed submissions.

5. The Committee appointed three part-time Specialist Advisers to assist in mounting the Enquiry and analysing the evidence received. They are Mr Alan Murie, Mr Jamie Stevenson and Mr David Webster. They have given the Members of the Committee valuable assistance over a fairly long period and have enabled

the Committee to reach a better understanding of the many complexities involved in this Enquiry. The Committee wishes to thank the Advisers for their work.

6. The Enquiry has been mainly concerned with the effects of the Right to Buy enacted by Part I of the Housing Act 1980, although the Committee has also given some separate consideration to the issues raised by the sale of vacant council houses, i.e. sales to other than sitting tenants. These are not made mandatory by the Housing Act 1980, but have been and remain permissible under the Secretary of State's "general consent". The Committee has not given any detailed consideration to equity sharing schemes or to local authority building for sale.

7. Many of the authorities whose policy has been to sell dwellings have hitherto operated particular exclusions or did not make full use of the Secretary of State's "general consent" in some way. For example, eight of the local authorities canvassed, which were selling council houses, do not appear to have adopted the levels of discount possible under the "general consent" of May, 1979. Seventeen of the local authorities which were selling referred to excluded property types—for instance flats, maisonettes, bungalows, sheltered and 1/2-bedroomed dwellings and properties needed for redevelopment or special purposes. Many "selling" local authorities were exercising their discretion on sales in other ways, reflecting views about local needs and circumstances. Thus the provisions of the Housing Act 1980 on the Right to Buy have implications for those local authorities which have chosen to make use of the "general consent", as well as for those which have not. Indeed, many points of concern over the Right to Buy have been raised with us by authorities which in general favoured the existence of such a right, as well as by those which opposed it.

8. The policy of council house sales is of interest not only to tenants able to buy their dwellings or to tenants in general. It has wider implications for the community at large, and it is appropriate that these should be considered.

CHAPTER 2

**The Quality of the Evidence from Local Authorities and the Secretary of State:  
Absence of Research on the Effects of Sales**

9. Council houses have been sold in the post-war period in England and Wales since 1951, with the highest figure prior to 1980 being 61,981 sales in 1972 and a new peak of 87,301 (provisional) in 1980. Although a majority of the local authorities consulted were sellers and most of the non-sellers had sold dwellings at some stage in the past, few authorities were able to provide detailed evidence or to provide a systematic picture of the effects of sales. Some of the answers provided did not appear to be based on any evidence, and it was frequently not apparent where responses were more than statements of opinion. As a consequence when the word "evidence" appears in this Report it should be treated with some caution. In taking oral evidence the Committee asked witnesses about the absence of information on the effects of sales. Leeds City Council, for example, said that when they embarked on the policy of selling houses, no valuations of council houses had been carried out and financial effects were not the prime consideration<sup>1</sup>. After five years' experience of selling houses there was no information available about the savings per dwelling on management and maintenance costs<sup>2</sup>. Although some useful facts and statistics were provided, the vast majority of firm answers and conclusions given by local authorities were predominantly based upon subjective, anecdotal and ultimately political judgments rather than upon hard statistical evidence from well-controlled research. The Committee consequently could not rely on some of the evidence to the degree it would have wished. As a result the Committee has been unable to reach firm conclusions on some of the issues. In some cases, where predictions of the effects of the Act are involved, conclusions have unavoidably been speculative to some degree. This is in part because the country has had no experience of a programme of council house sales comparable to the present programme. But the Committee is confident that where it has reached firm conclusions, they are well founded.

10. All local authorities expect some repercussions from sales, such as a change in the character of the housing stock, some loss of relets and difficulties in housing the elderly and providing transfer opportunities. While it is not reasonable to expect that authorities without previously existing sales policies would have mounted research programmes on the effects of the 1980 Act, the Committee was concerned to find that many authorities with long histories of sales were not better informed.

11. The Committee is also concerned that the Department of the Environment appears to have little research or other evidence on which it can base such an assessment of policy. While the Committee recognises the problems in making estimates and forecasts about the effect of a new policy, it also considers it desirable that central government should fully consider the impact of such policy changes. The Committee is concerned at the number of times the Department of the Environment in its written evidence to the Committee has referred to the impossibility, or the difficulty, of making estimates without providing any indication of the direction of effects, the range of possibilities, the likely influence on estimates, and the major sources of uncertainty.

<sup>1</sup> HC 535-iv Q 347.  
<sup>2</sup> HC 535-iv Q 349 and Q 350.



12. An example of the poor quality of the information provided by the Department of the Environment will be found in their claim that nearly all sitting tenant purchasers would go on occupying the same house until death and that therefore about 35 years would elapse before there would be any effect on the numbers of new tenants that could be accommodated<sup>1</sup>. This erroneous claim that no significant loss of relets would result from sales for many years is considered in detail in Chapter 5 below; but the Committee wishes to record at this point its concern at the failure of the Department to carry out an adequate examination of this issue, as a result of which the consideration in the House and in Standing Committee of the social consequences of the Right to Buy was less thorough than it might have been<sup>2</sup>.

13. In moving the second reading of the Housing Bill the Secretary of State outlined the objectives of the Right to Buy as follows:

"first, to give people what they want, and, secondly, to reverse the trend of ever-increasing dominance of the State over the life of the individual. There is in this country a deeply-ingrained desire for home ownership. The Government believe that this spirit should be fostered. It reflects the wishes of the people, ensures the wide spread of wealth through society, encourages a personal desire to improve and modernise one's own home, enables parents to accrue wealth for their children and stimulates the attitudes of independence and self reliance that are the bedrock of a free society<sup>3</sup>."

The Committee recognises the aims of the Secretary of State but is concerned that in both developing and implementing a policy of selling council houses there has so often been no systematic evaluation of the effects of the policy, despite the experience gained since 1951.

### The Arrangement of the Report

14. The scope and variety of evidence received by the Committee has made the preparation of this Report more difficult than might have earlier been expected. The Enquiry has revealed many significant implications and effects of the Right to Buy policy which the Department had not seriously thought through in any depth. Any attempt to categorise and summarise the Committee's evidence and conclusions in the interests of clear presentation must inevitably do scant justice to the pervasive and fundamental manner in which the policy will influence so many strands of British society.

15. The terms of reference and questionnaires to witnesses for the Enquiry focussed on the distinction between social and financial implications. The evidence has suggested, however, that these two sectors are often closely connected in the way that they ultimately influence the quality of housing provision and that it is the overall impact of council house sales on specific, identifiable areas of housing and economic policy which is the better measure of their importance. Hence the Committee has divided its investigation according to the effect of council house sales upon the following five main areas:

- Impact upon local authority housing;
- Private housing market and provision;

<sup>1</sup> HC 535-xi Q 994 and Q 1016.

<sup>2</sup> See paragraph 33 below.

<sup>3</sup> Official Report 15 January 1980 Cols 1444-5.

- Public sector finance;
- Equity between individuals;
- Wider economic implications.

Finally, the Report concludes by bringing together these five main areas where council house sales will have a significant impact and suggesting the points which require to be monitored.

## IMPACT UPON LOCAL AUTHORITY HOUSING

## CHAPTER 3

16. The Committee has examined in this section the impact which council house sales will have upon the service provided to those households who do not buy but remain tenants and applicants for local authority rented housing. For clarity of presentation, this impact is traced below through the following five steps:

- (i) the likely extent of sales in relation to the total local authority housing stock;
- (ii) the number of relets likely to be lost through those sales in relation to the total local authority housing stock;
- (iii) the types of property likely to be sold and their effect upon the mix of remaining local authority housing stock;
- (iv) investment resources available to local authorities for replacement of sold houses and provision to meet housing needs; and
- (v) particular impact upon certain special groups and areas.

## CHAPTER 4

## The Likely Extent of Sales

17. The Department of the Environment have been cautious in forecasting for the Committee the extent of future sales. In their written evidence to the Committee at the end of March 1980, they said there would be approaching 50,000 completions of sales in the financial year 1979/80, that it was reasonable to expect a surge of applications for purchase in the period following the enactment of the Bill, but that thereafter they did not know and it would be misleading to say<sup>1</sup>. They were cautious also in their discussions with the Building Societies Association<sup>2</sup>. In their oral evidence to the Committee on 8 July 1980, officials of the Department corrected the figure of sales in 1979/80 from 50,000 to 53,000 (51,000 houses, 1,115 flats)<sup>3</sup>. They went on to say that apart from a forecast of 62,500 sales in 1980/81 made by the Secretary of State on 24 April 1980<sup>4</sup>, they were unaware that any forecast or estimate of the number of future sales had been made. Since then these figures have been brought up to date. The Minister for Housing and Construction, Mr Stanley, on 9 October 1980, told the Conservative Party Conference that 75,000 sales had been completed in the previous 12 months. The total sales for 1980 were 87,301 (provisional). These figures are considerably above those being forecast earlier<sup>5</sup>. Finally, the Housing Investment Programme allocations for 1981/82 published in December 1980, are based on an assumption of 120,000 sales completed in that year<sup>6</sup>.

18. Few other witnesses were willing to hazard an estimate, but those who did supported a figure of around 100,000<sup>7</sup>. This is in fact slightly higher than the total sales assumed during 1980, but lower than the official estimate for 1981/82.

19. As the Report will show, the implications of a high level of sales are very different from those of a low level of sales. This applies both to housing and housing policy and to future public expenditure on housing. While the Committee recognises the Department's reasons for caution, it nevertheless considers that the Department should have been more forthcoming as to its thinking on the factors likely to influence the extent of sales. It would be surprising if the Department had not advanced further than it was willing to reveal in identifying the factors likely to influence the level of sales.

20. Among the factors suggested by local authorities as likely to increase sales are the extension of the Right to Buy to areas where sales have not been implemented in recent years and to property types not widely included in pre-Housing Act sales policies (e.g. flats and smaller dwellings suitable for the elderly); increased levels of discount increasing the proportion of tenants able to buy; the effects of publicity; other forms of partial purchase (e.g. equity sharing etc.); and the attractiveness of the two-year option to purchase, which could result in an increase in sale

<sup>1</sup> HC 535-xi p.321.

<sup>2</sup> HC 535-vi Q 392.

<sup>3</sup> HC 535-xi Q 955.

<sup>4</sup> HC 714, HC 578-i Q 46.

<sup>5</sup> In a speech on 7 March 1981, Mr. Stanley gave a figure of 118,000 sales between May 1979 and the end of 1980. In the same period he gave an estimate of between 200,000 and 250,000 if sales in progress are added to sales.

<sup>6</sup> See Official Report 19 December 1980, Written Answers, Col 442.

<sup>7</sup> Shelter and the Institute of Cost and Management Accountants (evidence not printed).

completions in 1982-84. The Committee considers that lower interest rates and the "freeze" on dwelling valuations from August 1980 to April 1981 could also tend to stimulate sales. The Opposition's statement that Labour would repeal the Right to Buy provisions of the Act might also encourage more completions as the next general election approaches.

21. A variety of factors has been suggested by local authorities as likely to prevent a large increase in sales. These include tenants' incomes; other characteristics of tenants (e.g. age); the very high interest rates obtaining at the time (February to April 1980) when the evidence was being prepared; the exclusion of certain dwelling types from the Right to Buy, especially dwellings purpose-built for the elderly or disabled; and the exhaustion of potential demand by previous sales. The Committee considers that the operation of the "cost floor" preventing full discounts on market value being given where these would reduce the sale price below construction cost, the low demand for the purchase of flats, the problems associated with their sale and the uncertainty of continued employment may all in differing degrees have a depressing effect on sales.

22. It seems clear that most tenants receiving supplementary benefits or rent rebates will not qualify for mortgages. Some 38 per cent of local authority tenants were in receipt of Supplementary Benefit or rent rebates in 1977<sup>1</sup> and the recent trend as well as the effect of the current economic situation suggests that this proportion will be higher now. Local authorities gave us figures ranging from 18 per cent to 55 per cent as the proportion of their tenants receiving Supplementary Benefit or rent rebate. The Institute of Cost and Management Accountants<sup>2</sup> estimated that fewer than one-half of all tenants would qualify for both mortgages and discounts.

23. Only 1,150 flats were sold in 1979/80 compared with 51,000 houses: the new opportunity to purchase flats may, however, produce an upsurge in demand in areas where flats have not been sold previously. Very few of the local authorities from which the Committee has received evidence have any experience of the sale of flats, but most expect to be faced with serious legal and management problems. Few local authorities with a stock including flats and without any previous experience of selling flats expected many sales of such properties. It is relevant to note that estimates of service charges to tenant purchasers given to the Committee ranged from £2.48 to £5.17 per week in Birmingham<sup>3</sup> to £8.66 per week in Kensington<sup>4</sup> and over £10 per week in Westminster<sup>5</sup>. These service charges, paid on top of mortgage repayments, may be a significant deterrent to potential purchasers and strengthen the view that flats will remain a relatively small proportion of total sales. On the other hand, it can be argued that service charges may depress the capital cost of flats and thus stimulate sales.

24. Changes in house prices, interest rates and rent levels (the gap between costs of renting and buying) must have an important effect on rates of sales. The Building Societies Association told us that the ratio between the average private mortgage and the average council rent was at an historically high level in 1980, estimated at 7.05, compared with a low of 3.46 in 1970 and a previous high of 5.80 in 1974<sup>6</sup>.

<sup>1</sup> Shelter (evidence not printed).

<sup>2</sup> Evidence not printed.

<sup>3</sup> Additional written evidence: Appendices to Minutes of Evidence, Volume II page 397.

<sup>4</sup> HC 535-vi p.176.

As and when this ratio falls, sales could be expected to rise. The Committee's First Report for the Session 1979/80<sup>1</sup> has pointed to likely real increases in rent levels over the years to 1983/84, which are likely to stimulate sales.

25. In its First Report for the Session 1979/80 the Committee noted the views of its Advisers that the highest level of sales in England which could be safely assumed in the period 1981/82 to 1983/84 was 100,000 a year, although the effects of a higher level of sales up to 200,000 a year were also considered<sup>2</sup>. Sales on the scale envisaged by the Committee's Advisers would be bound to have a major social impact. For example, a decade of sales of 100,000 houses annually would mean the disposal of nearly one-third of the present stock of council houses (excluding flats, and dwellings built for the elderly). This could imply a major change in the nature of the local housing service, depending on the rate of replacement, and in many areas local authority housing plans and strategies would need to be fundamentally reconsidered in the light of this change. The possibility that even higher rates of sale may occur increases the need seriously and systematically to evaluate their effects.

26. The Committee recommends that both the Department of the Environment and local authorities should monitor the effects of a change of this order on local housing policies and strategies.

#### Underestimation of Sales by some Local Authorities

27. The Committee believes that some local authorities may be underestimating the potential rate of sale of council houses, because they have taken unrealistic views of their tenants' incomes and of their property valuations<sup>3</sup>, or they have not taken full account of the possible expansion of joint purchase arrangements<sup>4</sup>. The Committee considers that it is unwise for local authorities to take the view that sales in their area will be minimal without fuller investigation.

<sup>1</sup> HC 714 HC 578-i paras 16 and 18.

<sup>2</sup> HC 714 HC 578-i para 14 p.xi and Appendix 1 para 19 p.24.

<sup>3</sup> For example, the London Borough of Southwark, (HC 535-i and supplementary written evidence: Appendices to Minutes of Evidence, Volume II page 346).

<sup>4</sup> HC 535-v Q 503.

## CHAPTER 5

## The Loss of Relets

28. Many of the social implications of council house sales stem from the loss of local authority lettings. This Chapter examines the size and timing of this loss.

29. Although a few local authorities expressed a contrary view, most local authorities and others giving evidence to the Committee expected a loss of relets resulting from sales which would occur at the same rate as the general rate of reletting of the council housing stock, ie about 4 per cent per year. However, in the Annex to their "Appraisal of the Financial Effects of Council House Sales", the Department argued that "nearly all sitting tenant purchasers would otherwise have remained tenants until their death, when the widow would take over the tenancy. Not until she ceases to live as a tenant is there any effect on the number of new tenants that can be accommodated" (para 17). The Department also claimed (para 50) that "some 30-40 years would typically elapse before there is an effect on the number of houses vacant and available for letting to new tenants". The Minister for Housing and Construction, Mr John Stanley, told the House in the Debate on the Second Reading of the Housing Bill on 15 January 1980<sup>1</sup>,

"Turning to the arguments concerning waiting lists, we said in our financial appraisal—where it is analysed in detail—that the majority of relets occur because of old age or death, yet the bulk of people buying council houses do so when they are in their thirties or forties and they will remain in that accommodation unless they buy."

In Oral Evidence to the Committee, DOE officials reaffirmed this position, saying, for instance,

"We draw the conclusion, however, that it is a minimal percentage of relets that will be lost and not the 3.7 per cent" (this being the average annual rate of reletting of the stock of council housing)<sup>2</sup>, and

"I am speaking on the basis of what was said in the Financial Appraisal that the effect of the loss of relets is likely to be after a substantial period, or will not arise until a substantial number of years have passed<sup>3</sup>."

30. The Department's argument was based on the assumption that the main influence on tenants' propensity to leave the local authority sector, and hence to create relets, is age. The Annex to the Department's Financial Appraisal examines in turn each reason for departure from the sector, and states that if the ages of sitting tenants purchasers were to be as shown in Mr Murie's study of Birmingham<sup>4</sup>, then the number of departures for each reason, if sales did not take place, could be expected to be very small. However, the Department did not pursue its analysis through to the point of calculating how large the number of departures would be.

31. It was put to the Committee that when the number of departures is calculated, in the manner proposed by the Department, the estimated relet rate for

<sup>1</sup> Official Report, 15 January 1980, Col. 1568.

<sup>2</sup> HC 535-xi Q 994.

<sup>3</sup> HC 535-xi Q 1016.

<sup>4</sup> The Sale of Council Houses, Centre for Urban and Regional Studies, Birmingham University, 1975.

houses sold turns out to be 3 per cent per year—close to the average figure of 3.75 per cent for the stock of council housing as a whole<sup>1</sup>. This argument was examined by one of our Specialist Advisers, who concluded that the relet rate would be between 2½ per cent and 4½ per cent, depending on the age distribution of sitting tenant purchasers. This analysis<sup>2</sup> was put to the Department, and the ensuing exchange of notes is also printed<sup>3</sup>. The Committee considers that it was inappropriate for the Department, in the Annex to the Appraisal, to rely upon only one of the two age distributions found in published studies of council house purchasers—that shown in Mr Alan Murie's study of Birmingham carried out in 1973. It is apparent that the ages of purchasers vary between local authority areas. Of those available to the Committee, that for Birmingham gives the lowest immediate loss of relets, while that for Milton Keynes gives the highest. The Committee considers that the Department, in its Notes of 19 and 29 September 1980, should have used both these age distributions, as well as the distribution reported by Miss Niner which was nearer the middle of the available range. For the purpose of subsequent discussion the Committee uses the Niner distribution<sup>4</sup>. The two notes from the Department reveal that, on the basis of the Niner age-distribution, the annual loss of relets due to sales would be 2.3 per cent. The Department make no mention in their notes of relets due to emigration or remarriage or moves by elderly tenants to institutions other than old people's homes. The Committee accepts that the latter set of moves by elderly tenants would lead only to a very small loss of relets (perhaps 0.01 per cent) but, in the absence of an estimate from the Department, accepts its Adviser's estimate of 0.3 per cent for the relets due to emigration or remarriage. The best estimate for the loss of relets calculated in the manner proposed by the Department is then 2.6 per cent.

32. It is evident that the Department's claim that its analysis showed that the loss of relets due to sales would be "minimal . . . and not . . . 3.7 per cent" might not be well founded<sup>5</sup>. It appears to be true that if the ages of sitting tenants, who purchase under the Housing Act, are similar to the ages of sitting tenant purchasers hitherto, then the immediate loss of relets will be at a rather lower rate than the average relet rate for the council housing stock as a whole. But it will be less than one-third lower: instead of a loss of about 3,700 relets in the first year for every 100,000 dwellings sold, the loss will be about 2,600. There will, of course, be important variations between local authority areas in the rate of loss of relets.

33. The Committee's investigations thus summarised have shown that the Department's original claims, quoted in paragraph 50 of the Financial Appraisal (see paragraph 29 above), were incorrect and that the House was thus given information that was less than accurate on the effect of council house sales on relets when it passed the Housing Bill. While the Committee recognises that it is not possible with complete accuracy to estimate the effect of council house sales on relets, it notes that the Department now accepts that the loss may be higher than the estimates in the Financial Appraisal.

34. It has been put to us, by the Comptroller and Auditor General<sup>6</sup> among

<sup>1</sup> Shelter (evidence not printed) and the Catholic Housing Aid Society HC 535-vii Q 662.

<sup>2</sup> Appendices to Minutes of Evidence, page 23, Memorandum No. 3 on Loss of Relets paragraph 22, Volume III.

<sup>3</sup> Appendices to Minutes of Evidence, pages 400–408, Volume II.

<sup>4</sup> Local Authority Housing Policy and Practice, 1975, by Pat Niner.

<sup>5</sup> HC 535-xi Q 994.

<sup>6</sup> Appendices to Minutes of Evidence, Volume III. Pages 1–9.



others, that the Housing Act might result in an increase in the proportion of younger purchasers, as the result of a fall in the number of households leaving council houses to buy in the private sector. If this were to happen, then the immediate loss of relets would be greater than suggested by the analysis above.

35. In its notes of 17 and 29 September 1980<sup>1</sup>, the Department, agreeing that its age-based argument does lead to a greater figure for the estimated loss of relets, claimed that "age is not the only influence" on the loss of relets, and that "the calculation in terms of age is provided . . . solely to explain . . . the way in which the figures . . . were arrived at". The Committee notes that it was the Department alone which was responsible in the first place for constructing the argument based on the age of purchasers. No other serious argument has been put forward by the Department for supposing that the rate of loss of relets would be any different from the average relet rate for the council sector as a whole.

36. The cumulative loss of relets over 30 years appears to the Committee to be likely to be at least thirty times the first-year loss. The Department shows in its note of 29 September 1980<sup>2</sup> how the first-round loss of relets would fall during the first ten years. But houses relet would themselves become liable to reletting and notwithstanding the Department's comments in paragraph 3 of its letter of 24 October 1980<sup>3</sup> the Committee remains to be convinced that the relet rate then occurring should differ from the sector average. It must be the case that the annual loss of relets will eventually rise to the sector average, unless the dwellings sold have features which give rise to a systematic tendency for local authorities to let them to tenants with a departure rate different from that for tenants as a whole. The Committee has no reason to think that this would be so. The Committee agrees with the Department that only the first-round loss of relets is relevant to the assessment of replacement requirements, but is concerned to estimate the loss of relets which would occur in the absence of replacement.

37. This loss over thirty years would be at least 78,000 relets for every 100,000 dwellings sold. Over the first ten years the loss would be 26,000. These figures are very different from those implied by the Department's statements. They show that the effect of council house sales on the numbers of new lettings and transfers available in the local authority sector will over a period be substantial.

38. The Committee is particularly concerned about the loss of relets over the next four years. If sales take place at the rate of 100,000 per year, then the annual loss of relets due to sales under the Housing Act will be over 9,000 by the end of 1983/84. If the rate of sales were to be 200,000 per year, then the annual loss would be over 18,000. These figures are large in relation to the likely level of local authority completions in 1983/84 of 26,000–30,000 (with 100,000 sales per year) or 33,000–37,000 (with 200,000 sales per year) suggested by the Committee's First Report for the Session 1979/80 (Memorandum 1, Table 5)<sup>4</sup>. As noted above, (para 31) the loss of relets may be larger than 2.6 per cent.

39. The Committee notes that the Secretary of State has repeated, in paragraph 29

<sup>1</sup> Appendices to Minutes of Evidence, Volume II pages 400–407.

<sup>2</sup> Appendices to Minutes of Evidence, Volume II pages 401–407.

<sup>3</sup> Appendices to Minutes of Evidence, Volume II pages 407–408.

<sup>4</sup> HC 714, page 30.

of the Department's reply of 15 December 1980 to the Committee's First Report 1979/80, that he "considers that, as set out in the Financial Appraisal, in the representative case the need to replace a council house which has been sold will not arise for many years"<sup>1</sup>. It is not clear on what grounds he continues to believe this, given the contents of the Department's notes to the Committee of 19 and 29 September 1980, and letter of 24 October 1980<sup>2</sup>. It is apparent to the Committee that the Government's assessment of the effects of council house sales on the local authority housing service has been based on a false premise. Now that the loss of relets due to sales has been shown to be substantial, the Department's policies need to be reconsidered. In particular, the loss of relets resulting from sales is a reason, additional to those given in the Committee's First Report for the Session 1979/80<sup>3</sup> for reconsideration of the reductions in public expenditure on housing proposed in Cmnd 7841. These reductions will have been based on the assumption that no relets would be lost within the planning period as a result of council house sales. The likely annual loss of relets referred to in the paragraph above must be taken into account and compensatory provisions should be made.

40. Where councils sell vacant dwellings there is clearly an immediate transfer of supply between tenures: properties which would have been available to households qualifying, on grounds of need, for offers of council accommodation now become available to those able to buy. Some local authorities which gave evidence to the Committee were making large numbers of such sales. In Nottingham in the period 1976/77 to 1979/80 sales of vacant newly built (excluding those built for sale) and vacant relet houses accounted for 2,334 sales compared with 2,088 sales to sitting tenants<sup>4</sup>. In Wandsworth 61 per cent of sales in the period July 1978 to January 1980 were of new and acquired houses and flats and Homestead sales, rather than sitting tenant sales<sup>5</sup>. Nineteen per cent of all sales by the Greater London Council in the period May 1977 to September 1979 were of vacant dwellings, over two-thirds of these being newly built dwellings<sup>6</sup>.

41. The immediate loss of relets to the local authority sector in the case of sales of vacant dwellings is 100 per cent: for every 1,000 dwellings sold, 1,000 outlets or new lettings are lost. Subsequently, the annual loss of relets would be at or near the average relet rate for the whole sector. Thus the sale of vacant dwellings has a much more rapid impact on the availability of local authority lettings than does sale to sitting tenants. This impact will, however, be mitigated where the purchasers are local authority tenants, and release their previous home for reletting when they move. Where purchasers are on the local authority waiting list, the effect on relets may also be mitigated, but only to the extent that they would actually have been offered and taken up tenancies within any given period. In Birmingham, sales of vacant dwellings were 1,287 from February 1978 to March 1980<sup>7</sup>, but all were sold to tenants (with children) of council flats or other council property: thus the effect on relets will have been the same as that of sales to sitting tenant purchasers. In the Greater London Council's sales of vacant properties only 10 per cent were not

<sup>1</sup> Cmd. 8105.

<sup>2</sup> See Appendices to Minutes of Evidence, Volume II pages 400-408.

<sup>3</sup> HC 714.

<sup>4</sup> Evidence not printed.

<sup>5</sup> HC 535-xi, page 39.

<sup>6</sup> HC 535-x, page 280.

<sup>7</sup> HC 535-x, page 307.

to council tenants<sup>1</sup>. In Wandsworth, 70 per cent of vacant dwelling sales, excluding those on the open market, were to council or housing association tenants; sales on the open market were said to be only of property in very poor condition<sup>2</sup>.

42. The Committee concludes, therefore, that where the sale of vacant properties is to existing local authority tenants or to families high on the waiting list, the loss of relets will not be greater than that resulting from sales to sitting tenants. In other cases it will be. However, it should be remembered that if the vacant properties sold are of good quality, then the immediate effect on the average quality of lettings may be very much greater than is suggested by the number of lettings lost. This point is dealt with more fully in Chapter 6 below. Secondly, and more importantly, it should be remembered that vacant properties are not benefiting anyone. Selling them is preferable to leaving them empty.

<sup>1</sup> HC 535-x, page 286.

<sup>2</sup> HC 535-ii, Q 85-86.

## CHAPTER 6

**The Types of Property Sold**

43. One of the main objections raised against council house sales in the past and during this Enquiry has been the claim that more desirable properties, and properties situated in more desirable neighbourhoods, are sold in disproportionate numbers<sup>1</sup>. This view was shared by many local authorities. Only three local authorities expected all types of properties to sell and very few authorities expected many sales of flats even with the new higher discounts. 50 local authorities, including four New Towns, expected sales to be greatest on popular estates and in popular dwellings. They referred, for example, to low density estates, sales of bungalows, well-maintained houses, houses in villages, houses in council estates situated near private estates and houses on small estates. Sales of dwellings within "difficult-to-let" estates were thought unlikely.

44. There is only limited practical experience of the sale of local authority flats. Apart from the Greater London Council we had information only from three authorities and these found that flats were likely to be sold less readily than houses. Many authorities foresaw difficulties. These were spelt out to us by witnesses from Southwark<sup>2</sup>, the Greater London Council<sup>3</sup> and Leeds<sup>4</sup>, while the Royal Institute of Chartered Surveyors stated: "Under the Housing Bill there will be compulsory sale of individual flats. We are well aware of the management difficulties which arise when individual flats (or indeed an entire block) have been sold to individual tenants; this has been seen in the private sector. In the private sector, however, blocks are usually self-contained whereas local authority estates are complex, with walkways, district heating etc. To our knowledge there is no experience of the management of such estates where sale of whole or part has taken place<sup>5</sup>." The Department of the Environment, however, warned against any simple extrapolation of past experience, saying: "Whereas the majority of local authorities are selling council houses, possibly something like 20 authorities are selling flats at the moment and so the figures as to possible demand or the number of flats that are likely to be sold drawn from the figures (already quoted) may well be very misleading<sup>6</sup>." The Committee accepts this point, but it has received expressions of opinion on many other possible difficulties in selling flats<sup>7</sup>. These include the provision for leases of a minimum length of 125 years which may well be longer than the expected life of the dwelling concerned, the absence of a market and of criteria on which to base valuations, and complex conveyancing problems. Some witnesses expected difficulties to arise after the flats have been sold. Points of

<sup>1</sup> The National Consumer Council, the Royal Town Planning Institute, the Institute of Cost and Management Accountants, Shelter, the Institute of Housing, the Centre for Urban and Regional Studies of the University of Birmingham, Nottingham Alternative Publications (evidence not printed) and Catholic Housing Aid Society (HC 535-vii p.199).

<sup>2</sup> HC 535-i Q 37.

<sup>3</sup> HC 535-x Q 903.

<sup>4</sup> HC 535-iv Q 425.

<sup>5</sup> Evidence not printed.

<sup>6</sup> HC 535-xi Q 989.

<sup>7</sup> Wandsworth (HC 535-ii p.36, Qu (viii) and Q 140) Chartered Institute of Public Finance and Accountancy (HC 535-v Q 515 and Q 537); Southwark (HC 535-i Q 37, Q 46 and p.13, Qu A viii); The Royal Institution of Chartered Surveyors; the Law Society and Institute of Housing (evidence not printed); Leeds (HC 535-iv Q 425 and Q 426).

concern included service charges, the provision of sinking funds, and additional costs and management problems for local authorities in enforcing covenants. The Committee believes that with experience local authorities will be able to overcome these difficulties, but the Committee doubts the wisdom of selling leases with a longer term than the expected life of a dwelling.

45. There are compelling reasons for expecting that more of the better properties will be sold. Local authorities tend to allocate better property to tenants of long standing or to tenants who have good tenancy records, defined in terms of regular payment of rent and care in looking after their homes. It is precisely these tenants who are most likely to buy.

46. Nevertheless, the Committee has looked closely at the specific evidence given to it. The Catholic Housing Aid Society (CHAS) gave us an analysis of sales in Leeds by housing management area, which was based on data provided by Leeds City Council, arguing that in unattractive areas low proportions of stock had been sold, and in desirable areas high proportions<sup>1</sup>. The figures undoubtedly show a wide range of variation by area in the proportion of properties sold. The proportion of property sold in the 22 Housing Management Office Areas varied from 1.2 per cent of property available for sale to 17.6 per cent. The variation between estates is wider than this and figures for estates in West Leeds show a range from 3.0 per cent of saleable property to 31.2 per cent<sup>2</sup>. The question arises whether the explanation for this is that put forward by CHAS. In the first place it appears to the Committee that the proportion of stock sold in a given area must depend on the age structure of its population, on tenants' incomes, and on the newness of the dwellings (which affects the operation of the cost floor rule) as well as on the sale price and the attractiveness of the properties. The housing allocation practices of the authority must affect the first two of these factors. Hence a simple relationship would not necessarily be expected even if there was indeed a tendency for the more attractive properties to be sold in disproportionate numbers. Furthermore, there are real difficulties in defining the features which render an area attractive. There is inevitably a considerable element of subjectivity in such definitions, as was well illustrated by the Committee's questioning of witnesses from Leeds City Council<sup>3</sup>. We do not feel that CHAS wholly succeeded in overcoming these problems. However, the analysis of West Leeds given to us in supplementary written evidence by Leeds City Council does tend to bear out CHAS's view, although it is far from conclusive<sup>4</sup>. In spite of Leeds' own comment that "there is not really a correlation between estates where a higher proportion of dwellings have been sold and the popularity of the estate"<sup>5</sup>, their analysis does show that of saleable property on estates classified by Leeds as "popular", 11.3 per cent had been sold, compared with 7.9 per cent of property on the one estate classified as "fairly popular", and 6.9 per cent of property on estates classified as "less popular".

47. The City of Birmingham provided the Committee with details of sale by estate<sup>6</sup>. Areas of council housing with large proportions of flats had relatively low

<sup>1</sup> HC 535-vii p.199-201.

<sup>2</sup> Leeds City Council additional evidence, Appendices to Minutes of Evidence Volume II (Table 6; page 376).

<sup>3</sup> HC 535-vii Q 364-Q 379.

<sup>4</sup> Leeds City Council additional evidence, Appendices to Minutes of Evidence Volume II, (Q 6; page 371).

<sup>5</sup> Letter dated 18 July 1980, Appendices to Minutes of Evidence Volume II, page 397.

rates of sale and this could be expected to continue in the future. However, leaving aside flats, the variation between estates in rate of sales of houses available for sale is considerable. Sales are considerably greater in areas around the city boundary (except in the west). While on 8 per cent of estates 30 per cent or more houses had been sold (the highest rate was 56 per cent), on 31 per cent of estates fewer than 10 per cent of houses had been sold. In their written evidence the City of Birmingham stated "the pattern of sales indicates that the greatest proportion of houses sold are on those suburban estates which are in greater demand by tenants and applicants<sup>1</sup>." Birmingham expected that there would be proportionately few sales in less popular areas and areas with a larger number of problems<sup>2</sup>.

48. Shelter and the University of Birmingham Centre for Urban and Regional Studies also referred us to published work on council house sales in Birmingham during the period 1968 to 1973, which suggested that there was a tendency for sales to be concentrated in popular areas<sup>3</sup>.

49. The Greater London Council's evidence on the borough-by-borough distribution of sales to sitting tenants alone shows that the highest rates of sale, in proportion to the size of stock, have been in the outer Borough of Redbridge, Harrow, Barking, Waltham Forest, Havering, Barnet, Ealing, Merton and Bromley, while minimal rates of sale have occurred in Tower Hamlets, Southwark, Newham, Lambeth, Islington, Hammersmith, Hackney, Camden and Westminster. But the picture is not a simple one, as sales were also low in Kingston-upon-Thames and Bexley<sup>4</sup>. Moreover, a comment from the GLC suggests that the observed variations might be due simply to differences in the proportion of flats: "less than one-fifth of sales had been in inner London where almost three quarters of all public sector dwellings are flats<sup>5</sup>". Wandsworth told us that "the sale of houses depends simply upon what is available rather than on whether they happen to fall in what might be termed better areas. To make this point perfectly clear, the number of sales given for Putney, which might be classed as a 'better area' than Battersea, is less than the number actually sold in Battersea because that is where the properties are available for sale". However, Wandsworth's own figures also show that 87 per cent of the properties sold have been houses and only 13 per cent flats<sup>6</sup>. Wandsworth's evidence also reflects the importance of sales of vacant properties and cannot be taken to apply to sales to sitting tenants.

50. The Committee was impressed by an analysis by Newcastle-upon-Tyne City Council of the distribution by area of council house sales in 1968 to 1976<sup>7</sup>. Newcastle appear to have partially solved the problem of finding a valid measure of the relative attractiveness of different areas by devising an index of "economic status" based on a multivariate classification using 1971 Census data. This showed clearly that sales were proportionately higher in areas of high economic status.

<sup>1</sup> HC 535-x p.305.

<sup>2</sup> HC 535-x Q 918-Q 920.

<sup>3</sup> Evidence not printed.

<sup>4</sup> Further written evidence, 1 August 1980. Appendices to Minutes of Evidence Volume II, page 384.

<sup>5</sup> HC 535-x p.286.

<sup>6</sup> Further written evidence, 7 May 1980. Appendices to Minutes of Evidence Volume II, page 352.

<sup>7</sup> Evidence not printed.

51. Published evidence was cited by CHAS as showing that in East Hampshire a greater proportion of the council housing stock is being sold in the smaller villages where owner occupation predominates<sup>1</sup>, and East Hampshire District Council themselves confirmed this view<sup>2</sup>. Oxford Polytechnic's Department of Town Planning submitted a study of sales in South Oxfordshire<sup>3</sup>, which suggested the same conclusion.

52. The sum of the available evidence and opinion on this issue is not entirely conclusive, but it does suggest that sales will be disproportionately of houses rather than of flats, and that sales of houses will tend towards the better quality properties in more attractive areas, or areas in which there is already a high proportion of owner-occupation. This will, of course, make the position of many who remain in the rented public sector worse as their chances of being able to move, say, from a flat in a tower block to a house, and particularly in more popular areas, will be reduced.

<sup>1</sup> HC 535-vii p.206.

<sup>2</sup> Evidence not printed.

## CHAPTER 7

## Local Authorities Investment Resources

53. Chapters 4–6 have suggested that council house sales are likely to run at around 100,000 per annum or more in the next few years, that this would mean a cumulative loss of 9,000 or more relets to the public sector by 1983/84 and that strong *a priori* arguments and such research evidence as is available to the Committee suggest that these losses are likely to be disproportionately concentrated upon better properties and locations and upon houses rather than flats. This Chapter examines what resources are likely to be available to local authorities for replacement of these lost relets, and the following Chapter will examine what are likely to be the special effects upon particular groups and areas in public housing.

54. The capacity of local authorities to compensate for lost relets can be conveniently considered under three headings:

- (i) the allocation of public expenditure resources for new housing investment (paragraphs 55 and 56);
- (ii) the availability of capital receipts from council house and other sales for new housing investment (paragraphs 57–66); and
- (iii) the degree to which the increase in the availability of owner-occupied housing which results, reduces pressure upon local authority housing (paragraph 67).

55. On the first of these three counts, the Government's most recently published expenditure plans (The Government's Expenditure Plans 1981/82 to 1983/84)<sup>1</sup> point to a 55 per cent reduction in the real resources available for housing between 1979/80 and 1983/84. The Committee's First Report for the Session 1979/80<sup>2</sup> projected, on the basis of the Government's previous and less drastically pruned plans (The Government's Expenditure Plans 1980/81 to 1983/84),<sup>3</sup> a decline in public new housing starts from 66,400 in 1979/80 to a maximum level of 31,000 by 1983/84 as well as a halving at least in the renovation and improvement activity by local authorities.

56. Evidence from published statistics further reveals a rise in the recent trend in the numbers of homeless persons. It has been argued that this trend reflects the effects of both reduced access to home-ownership due to recent economic constraints and a long-term decline in the availability of privately rented accommodation. Almost all of the local authorities who submitted evidence to the Committee therefore expected to experience sharply increased difficulties in meeting the housing demands placed upon them. The Committee noted, however, that few local authorities sought to determine the degree of real need of those on their waiting lists. These lists are not *per se* a good indicator of real housing need. Most local authorities expected these existing problems of declining real resources and rising demands to be exacerbated by the loss of relets and better quality stock which might result from council house sales, particularly as they might lose a higher proportion of easily maintained homes.

<sup>1</sup> Cmnd. 8175.

<sup>2</sup> HC 714.

<sup>3</sup> Cmnd. 7841.



57. The second of the three factors cited in paragraph 54 above, namely capital receipts from sales, could be used for new housing investment to offset some of these losses. The Government has stated that half of these capital receipts "will be gathered up in advance at the national level and distributed in the HIP allocation in the normal way"<sup>1</sup>, whilst the other half will be available for the local authority to use either to redeem certain outstanding debts or to undertake extra new capital expenditure on housing or other programmes<sup>2</sup>.

58. These capital receipts will take two forms, namely funds paid to the local authority at the time of the sale to cover all or a part of the purchase price and later repayments of principal and redemptions of outstanding balances against local authority mortgages. In the former case, the capital receipts convey the additional benefit to the local authority of being immediately available for use to replace a loss of relets which will not occur, on average, until between 10 and 20 years ahead. The latest Departmental statistics suggest, however, that such immediate capital receipts have fallen as a proportion of total disposal values from one-third towards one-quarter in the past eighteen months<sup>3</sup>. The Committee also notes that, with an average 40 per cent discount, total capital receipts on a council house sale will account for only 60 per cent of the market value of an equivalent or replacement dwelling. Capital receipts which are immediately available to the individual selling authorities for extra housing investment are therefore likely to equal between 7½ per cent and 10 per cent of the dwelling's replacement costs, ie 50 per cent of the capital receipts which average 25 per cent to 33 per cent of the disposal price which in turn averages 60 per cent of market value. On the basis of the 2.6 per cent loss of relet rate estimated in Chapter 5 above, immediate capital receipts for the average individual local authority are equivalent to between three and four years' lost relets so that in the very short term they represent a financial incentive to the local authority to sell council houses. Overall capital receipts immediately available to the total national housing investment programme as a result of sales will, in accordance with Government statements, be twice as great. Future repayments by purchasers of mortgage principal to local authorities will be available for housing investment as they occur.

59. In additions to these qualifications on the overall benefits from capital receipts, two specific queries were raised with the Committee about their effect on individual local authorities. First, it was suggested that the Department might take into account the capital receipts expected to accrue to a given authority and reduce its normal HIP allocation accordingly, thus nullifying the benefit of the 50 per cent addition<sup>4</sup>. This point was put to the Department by the Committee, and an assurance was given that no account will be taken of expected sale receipts when block capital allocations are made<sup>5</sup>. **The Committee welcomes this assurance.**

60. Secondly, it was suggested that the rule permitting individual authorities to add 50 per cent of their capital receipts to housing capital expenditure may distort the allocation of resources away from that which would be indicated by any other policy criteria, in particular by the objective of meeting housing need<sup>6</sup>. This

<sup>1</sup> HC 535-xi Q 1006.

<sup>2</sup> Speech by Minister of Housing and Construction to Institute of Housing, 24 April 1980.

<sup>3</sup> Housing and Construction Statistics, September 1980, Part 2 (DOE).

<sup>4</sup> HC 535-iii Q 339.

<sup>5</sup> HC 535-xi Q 1006.

<sup>6</sup> Shelter—evidence not printed.

distortion would arise if the actual pattern of sales and capital receipts between authorities diverged significantly from a reasonable assessment of the pattern of housing investment need between authorities.

61. The Committee has no conclusive evidence to confirm whether such a divergence will occur or not. Several factors suggest, however, that variations in the rate of sale and capital receipts between local authorities will be either random or related to factors other than need. For example, those authorities with a higher proportion of flats or with a high proportion of dwellings exempted from the Right to Buy may have lower sales rates. Moreover, the proportion of sale price forming an immediate capital receipt also varies widely between authorities; in 1977/78, for example, it was 88.9 per cent in Westminster, 51.7 per cent in Oldham and 51.6 per cent in Rochdale; but only 19.6 per cent in Birmingham, 16.2 per cent in Coventry, 11.7 per cent in Leeds and 3.5 per cent in Bradford.

62. It can be argued, on the other hand, that since council house sales will lead to a loss of relets and a need for replacement in many cases, the 50 per cent rule will facilitate this replacement. This can only, however, be an extremely rough-and-ready measure since, as shown above, the proportion of capital receipts varies widely between authorities; furthermore, both the actual replacement need and capacity in relation to a given level of sales is likely to be very different in different authorities. The Committee has been given no conclusive evidence that all council houses sold need to be replaced, nor does it necessarily accept this hypothesis.

63. In the latest HIP allocations for 1981/82, some 19 per cent of the total local authority investment provision (£413m out of £2,201m) is taken up by capital receipts forecast to be available under this 50 per cent rule<sup>1</sup>. Given the further sharp reductions which Government have planned for total housing expenditure in 1982/83 and 1983/84, this proportion could well rise if sales are maintained at or above 100,000 per annum. The 50 per cent rule therefore appears likely to have a substantial effect upon the pattern of capital spending.

64. The Government has gone some way towards meeting this point in proposing that only 50 per cent of capital receipts from sales, rather than 100 per cent as is the case for certain other housing capital receipts and for non-housing capital receipts, should be added to block capital allocations. The Secretary of State, in his reply to the First Report from the Environment Committee for the Session 1979-80, stated that:

"because the incidence of receipts may vary somewhat from one authority to another the Government has decided that authorities should be able to undertake additional expenditure to their allocation to the extent of 50 per cent of their receipts from sales of council dwellings to sitting tenants. The remaining 50 per cent will be taken into account in determining the national total for HIP allocations. Authorities will however retain 100 per cent of the cash they receive from their capital receipts"<sup>2</sup>.

The Committee concludes that the immediate financial implications of the Right to Buy policy for the investment resources of the local authorities are definitive incentives to them to encourage sales. However, the Committee recommends that the Department

<sup>1</sup> DOE Press Notice 537 (15 December 1980).

<sup>2</sup> Cmnd. 8105, paragraph 29.

should monitor closely the effects of the 50 per cent rule, including the extent, if any, to which capital receipts may be channelled away from areas and authorities that need them most.

65. The Committee also considered whether, in its review of capital receipts and the effects on local authority housing, it was appropriate to include the various low-cost home-ownership schemes proposed by the Minister for Housing and Construction. These schemes are intended to achieve, through partnership with private finance, increased numbers of dwellings for a given amount of public expenditure. Since, however, these schemes can be launched with any form of public finance, it did not seem appropriate to attribute their potential benefits principally to council house sales. The Committee believes, however, that these schemes are another example of the Government's determination to make home ownership more widely available and, as such, welcomes them.

66. The Committee has also considered a potential effect of the Right to Buy policy on local authorities' decisions on investment. Allerdale told us, "The question has now arisen within the council as to whether it will be advisable for us to in any case build new houses if, at the end of a certain short period, we are going to be required to sell those. . . . It seems to be an endless process of trying to provide new building but at the end of the day selling it off and we are going to be finishing with nothing."<sup>1</sup> Notwithstanding the counter argument that the operation of the "cost floor" on the disposal price of post-1974 dwellings should tend to reduce the likelihood that newly constructed council houses would be sold in the near future, the Committee was impressed that in addition to Allerdale, two other witnesses with close experience of the specialised circumstances of rural housing—the Lake District Special Planning Board and the Standing Conference of Rural Community Councils—made the same point<sup>2</sup>. The extent to which this may prove a deterrent to new building and improvement by local authorities needs to be monitored by the Department.

67. Under the third heading mentioned in paragraph 54 above, local housing resources may be increased in so far as the gains from council house sales to the owner-occupied market relieves future pressure of demand upon the local authority service. It is logically true that if the purchaser of each re-sold former council house is, or was on the point of becoming, a local authority tenant, then pressure of demand on the local authority service would not be increased as a consequence of sales. Several qualifications, however, should be made to this prospect of fully offsetting benefits from council house sales. First, if the council houses sold to tenant purchasers tend to be taken disproportionately from the better stock—as seems probable—then a fall in the quality of lettings available in the public sector must still occur. Secondly, although owner-occupied re-sale rates in the medium term may tend to be faster than public relet rates, the discount clawback provisions for re-sales in the first five years may delay them initially. Thirdly, the overall occupancy rate in the owner-occupied sector is lower than in the public rented sector so that there will be a gradual erosion of the one-for-one ratio between lost relets and extra re-sales. Fourthly, the extra re-sales will not necessarily result in the accommodation of an existing household, but rather may cause the formation

<sup>1</sup> HC 535-iii Q 308.

<sup>2</sup> Evidence not printed.

of a new household which would not otherwise have been created. Studies of the process of "filtering"<sup>1</sup> in housing markets suggest that little of the benefits from such re-sales would reach lower-income households. This effect would again erode the one-for-one relationship between lost relets and extra re-sales, particularly in certain areas of specialised demand (see Chapter 8 below). Fifthly, the added attractions of the Right to Buy provisions could reduce the propensity of existing council tenants or waiting list applicants to move out into the owner-occupied market.

68. The Committee therefore concludes that, whilst capital receipts from sales and gains from re-sales of former council dwellings in the owner-occupied market may help to relieve the pressure on local authority housing services, adequate replacement of lost relets seems unlikely to be possible overall, and particularly for various special groups and areas. The Committee takes the view that replacement of all dwellings sold should not necessarily be a requirement of public policy. The Committee has not examined the effects discussed in this Chapter in the same degree of detail as the issue of the loss of relets which was discussed in Chapter 5, and recommends that the Secretary of State should prepare and publish an examination of these issues.

<sup>1</sup> "Filtering" is the process by which the movement of a household into a given dwelling leads to a chain of vacancies and movements by other households elsewhere in the market.

## CHAPTER 8

## Consequences for Special Groups and Rural and other Special Areas

## Special Groups

69. The Committee received considerable evidence about the particularly adverse effects of sales upon special groups, of which that concerning the elderly seemed the strongest. The sale of dwellings suitable for meeting the special needs of the elderly was expected:

- (i) to reduce directly the future capacity of local authorities to house elderly applicants; and
- (ii) thus to increase indirectly the number of under-occupied dwellings which could otherwise have been released for larger households by the transfer of their elderly occupants.

70. In response to such arguments, the Government amended the Housing Bill in order to exempt from the Right to Buy—through the provisions of Part 1, paragraph 5 of Schedule 1 to the Housing Act 1980—any dwelling if it were designed or specially adapted for occupation by persons of pensionable age and if it were the practice of the local authority to let it only for occupation by such persons. This exemption covers in effect dwellings from a group of “sheltered” housing units for the elderly, of which—according to estimates given to the Committee by the Department—there are about 250,000 with wardens and a further 225,000 without wardens<sup>1</sup>. This total of approximately 475,000 exempted dwellings for the elderly compares with the Department’s estimate to the Committee of around two million households in local authority dwellings whose head is over 60.

71. The evidence of a number of witnesses suggested that this exemption should cover a larger proportion of those two million households than simply the specially designed “sheltered” units. The Department itself confirmed that “certainly it is the practice of local authorities to let . . . a number of dwellings which are designed not specifically for the elderly but are earmarked for that particular use. Some of them will earmark ground floor flats”<sup>2</sup>. In support of extending exemption (or applying pre-emption clauses) to all dwellings solely used for the elderly, it was argued that:

- (i) the elderly suffered most from poor private sector conditions<sup>3</sup>;
- (ii) “there is (therefore) an ever-increasing demand (upon local authorities) for properties for the elderly”<sup>4</sup>;
- (iii) “not all elderly people require specialist accommodation. Many seek smaller homes or wish to move to be near relatives”<sup>5</sup>;
- (iv) GLC seaside and country homes, for example, were intended as retirement homes but, having no special features, could not be exempt under existing Right to Buy provisions<sup>6</sup>.

Age Concern proposed, therefore, that “. . . local authorities should be given

<sup>1</sup> HC 535-xi Q 977.

<sup>2</sup> HC 535-xi Q 979.

<sup>3</sup> Nottingham Alternative Publications—evidence not printed.

<sup>4</sup> HC 535-v page 156 para 33.

<sup>5</sup> Age Concern—evidence not printed.

<sup>6</sup> Age Concern, The Royal Institute of British Architects—evidence not printed.

the powers to retain on resale those small dwellings normally let to elderly people by allowing pre-emption periods determined by local authorities"<sup>1</sup>. The Chartered Institute of Public Finance and Accountancy (CIPFA) believed that "..... all properties intended for the sole use of the elderly should be exempt from the Right to Buy provisions....." but, as a second-best alternative, proposed long-term pre-emption rights to authorities<sup>2</sup>.

72. It might be thought that the elderly would also be the least likely group to benefit from the offsetting re-sales in the owner-occupied sector. It was pointed out in paragraph 67 above that studies of the "filtering" effect of the transfer of stock between tenures rarely demonstrated benefits to lower-income households. In the case of non-specialised, non-sheltered dwellings which had formerly been let by local authorities solely to the elderly, their later re-sale in the private market would be particularly unlikely to result in the benefits being passed through to the same elderly group who would otherwise have benefited if the stock had remained in the public sector. On the other hand, the elderly do not necessarily comprise lower-income households. Some of them might well be in a position to purchase ground floor flats which are available for sale in the owner-occupied market as a result of the original local authority sale.

73. The Committee has been impressed by the strength of the evidence about the effect of the Right to Buy upon the elderly and the special role played by local authority housing in meeting their needs. The Committee considers that the Department should report regularly on local authorities' claims for exemption of dwellings as non-specialist housing normally used for the elderly and on the numbers of and reasons for rejected claims. The Committee further considers that the operation and effects of the exemption procedure should be monitored in conjunction with local authorities and that consideration should be given to extending the exemption if there is evidence of serious damage to the housing opportunities of the elderly.

74. The Committee also received evidence about the effect of council house sales upon the following five groups—single persons, large families, disabled, homeless and ethnic minorities. The Committee felt that in all these cases there was a potential problem of reduced housing opportunity for many disadvantaged households which required closer examination and monitoring. The Committee took particular note of the evidence about ethnic minorities. The Commission for Racial Equality stated, "If the sale of council houses takes place nationally at a rapid pace, it may result in low income local authority tenants (among whom ethnic minorities are disproportionately represented) becoming effectively trapped in poor quality housing. This could have serious repercussions on race relations in Britain"<sup>3</sup>. The weight of this argument rests upon the observation that ethnic minorities are under-represented amongst those tenants who will be able to purchase and over-represented amongst those tenants and other households whose housing, re-housing and transfer opportunities will be reduced by council house sales. In support of this observation it was argued that:

- (i) GLC research showed that 44 per cent of non-white households were allocated to older flats compared with only 15 per cent of white households<sup>4</sup>;

<sup>1</sup> Age Concern—evidence not printed.

<sup>2</sup> HC 535-v page 156 paragraph 33.

<sup>3</sup> Evidence not printed.

<sup>4</sup> Commission for Racial Equality—evidence not printed.

- (ii) the concentration of ethnic minorities in specific areas in poorer parts of the council stock, . . . . leads to "ghetto" estates<sup>1</sup>;
- (iii) in some examples, immigrant families were concentrated in poor quality private rented accommodation<sup>2</sup>;
- (iv) lower incomes of ethnic minority households will affect their ability to buy even where they occupy better quality council housing<sup>3</sup>;
- (v) due to past restrictions, ethnic minority households have on average been council tenants for a shorter period than other tenants, so that few will benefit from maximum discount<sup>4</sup>.

75. The Housing Centre Trust<sup>5</sup> argued, by contrast, that first and second generation Asian and West Indian immigrant tenants were generally keen to become home-owners and likely to want to take up the Right to Buy option. The Committee takes very seriously the implications of council house sales for ethnic minorities and regrets that the available evidence does not enable clearer judgments to be made about what on balance is likely to be the overall effect and what measures could be taken to prevent any adverse consequences without prejudicing any potential benefits from sales.

#### Rural Areas

76. The greatest fears expressed to the Committee on the consequences of council house sales for particular localities referred to rural areas. The basic argument against extensive council house sales in rural areas was that:

- (i) a combination of high external demand (retirement, holiday and second homes) and tightly limited new building tended to keep owner-occupied house prices beyond the financial means of many local people, especially those in lower-paid rural jobs and the elderly<sup>6</sup>;
- (ii) the social and economic health of the rural community therefore depends upon a continued supply of low-rent council housing<sup>7</sup>;
- (iii) council house sales will reduce that supply and will tend, upon re-sale, to transfer stock into the higher-priced outsiders' market rather than creating a reservoir of low-priced housing to meet local demand<sup>8</sup>;
- (iv) the council house stock is lower as a proportion of all housing in rural areas compared with the national average, but the proportion of households registered on local authority waiting lists is as high as in the rest of the country<sup>9</sup>;
- (v) in many villages this pattern is particularly accentuated, with only a handful of council houses forming the lifeline of council housing for those unable to buy. Often these few houses accommodate people whose work is essential if

<sup>1</sup> Centre for Urban and Regional Studies, University of Birmingham—evidence not printed.

<sup>2</sup> Newham—evidence not printed.

<sup>3</sup> Commission for Racial Equality and Age Concern—evidence not printed.

<sup>4</sup> Commission for Racial Equality—evidence not printed.

<sup>5</sup> Evidence not printed.

<sup>6</sup> HC 535-iii Q 300, Q 330. Lake District Planning Board, Peak District National Park (evidence not printed.)

<sup>7</sup> HC 535-iii Q 281, Q 346.

<sup>8</sup> HC 535-iii Q 243, Q 244, Q 308.

<sup>9</sup> Shelter (evidence not printed).

the village is to continue as a living community as distinct from a collection of commuters, retirement or second homes<sup>1</sup>;

- (vi) the strong development control restrictions as well as the special site-servicing constraints in rural areas, and especially in Conservation Areas, Areas of Outstanding Natural Beauty, Areas of Great Landscape Value, Coastal Protection Belts and areas where Structure Plan "Key Settlement" policies apply, make replacement difficult, expensive and heavily limited<sup>2</sup>.

77. The Committee was deeply impressed not only with the wide geographical and political range of rural local authorities who held this view but also with the many enlightening and persuasive illustrations given about the potential adverse effects of the Right to Buy upon rural communities. The Committee notes that, in such circumstances, "filtering" (see paragraph 67 above) would be unlikely to reduce these adverse effects.

78. The danger facing rural areas as a result of council house sales is thus that, in the words of the Royal Town Planning Institute, "council house sales could, in time, virtually eliminate the indigenous community in some areas"<sup>3</sup>. Allerdale told us, "If we do not do anything else at this Committee we must impress upon you our view that if you . . . . take away the houses of the people who make the National Park tick, . . . . you will destroy the community . . . . Loweswater is now a dying community as a result of a 20-year wrangle to build half a dozen council houses. If they had council houses . . . . there would still be buses and children and nurses, whereas in other parts of the National Park where we have 18, 20 houses, we have still got the bus service, village school and the sub post office. We are not just talking about housing; we are talking about preserving a community"<sup>4</sup>.

79. In response to such arguments the Government amended the original Housing Bill to provide some protection against the adverse consequences for rural areas of council house sales. Thus S.19 of the Housing Act 1980 provides two alternative safeguards for dwellings which are situated in a National Park or an Area of Outstanding Natural Beauty or an area designated by the Secretary of State as a rural area.

80. The first safeguard, S.19(3), which under the Act may be adopted by a local authority without further reference to the Secretary of State, provides that the conveyance or grant to the purchaser may contain a covenant (the "locality covenant") limiting resale of the dwelling to a person who for the previous three years has had his place of work or his only or principal home, in the "designated region" in which the dwelling is situated. This covenant binds the purchaser and his successors in title and may apply permanently or for any period chosen by the local authority. In the case of a National Park or Area of Outstanding Natural Beauty, the "designated region" has been determined by the Housing (Right to Buy) (Designated Regions) Order 1980 to be the National Park or Area of Outstanding Natural Beauty concerned, together with so much of the county in which

<sup>1</sup> Former Chairman of Rushmore Council (evidence not printed) HC 535-iii Q 283, Q 294, Q 330 and Q 340.

<sup>2</sup> Standing Conference of Rural Community Councils, The Lake District Planning Board (evidence not printed).

<sup>3</sup> Evidence not printed.

<sup>4</sup> HC 535-iii Q 346.



the dwelling is situated as is not within the Park or Area. Designated regions and designated rural areas were determined by the Secretary of State in March 1981 to come into operation the following month<sup>1</sup>. The Committee has not considered the implications of the choice made.

81. The other safeguard, under S.19(4), which may replace the "locality covenant" but not be invoked in addition to it, provides that if the Secretary of State consents, the conveyance or grant to the purchaser may contain a covenant under which, in the event of resale within ten years, the dwelling must first be offered back to the local authority (the "pre-emption clause"). The Secretary of State, in a circular letter entitled "Housing Act 1980: The Right to Buy", dated 22 September 1980, issued a general consent under which the locality covenant might in all cases be replaced by the pre-emption clause without further reference to him.

82. Five main criticisms were made of these safeguards by witnesses to the Committee:

- (i) that the purchaser does not have to live in the house, which might consequently be used as a retirement or holiday home or be let out<sup>2</sup>;
- (ii) that the "designated regions" are too large<sup>3</sup>;
- (iii) that the "locality covenant" would allow re-sales to purchasers who are well outside the normal local authority criteria of housing need<sup>4</sup>;
- (iv) that the ten-year pre-emption clause covers too short a period in the life of a community and its housing<sup>5</sup>; and
- (v) that the buy-back provisions of the pre-emption clause would be expensive in the future for local authorities with limited Housing Investment Programme funds and, being at full market price rather than at the original discounted price, would involve directly funding a financial loss to the public purse<sup>6</sup>.

83. The following proposals have been put in evidence to the Committee for meeting these criticisms:

- (i) that . . . "if a local authority asks for designation of all or part of its area as a rural area, the area should be so designated unless there is an overwhelming reason to the contrary"<sup>7</sup>;
- (ii) that the locality covenant should be specified to cover a fairly small area rather than the whole of a district or National Park area, and should require the dwelling to be used as a main home<sup>8</sup>;
- (iii) that the main home limitation, the locality covenant and the pre-emption clause should not be alternatives but should all apply together<sup>9</sup>; and

<sup>1</sup> Statutory Instrument 1981 No. 397, The Housing (Right to Buy) (Designated Rural Areas and Designated Regions) (England) Order 1981 DET 35857 HMSO.

<sup>2</sup> HC 535-iii Q 213, Cumbria Branch of the Association of District Councils (evidence not printed).

<sup>3</sup> Standing Conference of Rural Community Councils (evidence not printed).

<sup>4</sup> Lake District Special Planning Board (evidence not printed).

<sup>5</sup> Cumbria Branch of the Association of District Councils (evidence not printed).

<sup>6</sup> HC 535-iii Q 333, HC 535-vii Q 676.

<sup>7</sup> Chartered Institute of Public Finance and Accountancy (evidence not printed.)

<sup>8</sup> Standing Conference of Rural Community Councils (evidence not printed).

<sup>9</sup> HC 535-iii Q 213.

(iv) that the period of pre-emption should be indefinite<sup>3</sup>.

84. The Committee noted, however, that virtually all of the many witnesses who proposed such amendments as above took the view that no number of pre-emption, locality or other restrictions could be expected to prevent some loss of relettable rural council stock to the externally primed high-priced owner-occupied market and that only a substantial extension of exemptions could achieve this. The Committee considers that the Department should report regularly on local authorities' claims for rural designation and on the reasons for rejecting any of these in whole or in part. The Committee further considers that the operation and effects of the Right to Buy on rural areas should be monitored in conjunction with local authorities.

### Inner Urban Areas

85. Evidence was also received about the special impact of council house sales upon inner cities and upon certain urban peripheral areas with acute housing supply and demand imbalances. The inner city evidence related mostly to London and revolved around the issue of whether concentration of sales upon houses with gardens in outer urban areas will exacerbate the difficulties faced by inner urban authorities in meeting family housing needs, since they have a predominantly flatted stock, where sales are likely to be less high<sup>4</sup>. The evidence from GLC<sup>5</sup> and Wandsworth<sup>6</sup> appeared to bear out this view, since the numbers of lettings made available by GLC to Wandsworth applicants fell by over 50 per cent in the two years after the GLC's council house sales programme got under way in 1977. At the same time, those GLC council house sales had been concentrated heavily in outer boroughs which accounted for 84 per cent<sup>7</sup>. The GLC did not dispute these trends but stated, firstly in oral evidence<sup>8</sup>, that their total assistance to London boroughs had actually risen during this period and, then in further written evidence<sup>9</sup>, that there were special factors in the Wandsworth situation, such as that their applicants "... wanted houses in outer south west London where vacancies normally went to (high priority cases) ...". This seemed to the Committee to reinforce, if anything, the view that inner cities would suffer from the concentration of sales upon outer urban areas.

### Urban Peripheral Areas

86. Concern has been expressed by some local authorities on the periphery of London and the provincial cities that the high level of demand from those with higher incomes commuting to work elsewhere pushes house prices beyond the means of many local workers, who are thus dependent upon the opportunity to rent in the area. The sale of council houses reduces the opportunity to rent<sup>7</sup>.

<sup>3</sup> HC 535-iii Q 328.

<sup>4</sup> Shelter, The National Tenants Organisation (evidence not printed)

<sup>5</sup> Supplementary Written Evidence dated 1 August 1980 Q 1—Appendices to Minutes of Evidence Volume II, page 384.

<sup>6</sup> HC 535-ii, page 37, Table B (iii).

<sup>7</sup> HC 535-x Q 895.

<sup>8</sup> Supplementary Written Evidence dated 1 August 1980, Q 6—Appendices to Minutes of Evidence Volume II, page 389.

<sup>9</sup> For example, Crawley HC 535-ix Q 800 and page 269 Q (xii) and Guildford (evidence not printed).

### The Implications of Council House Sales for Planning Policies

87. The foregoing discussion has shown that council house sales have important implications for land use planning policies. Many local authorities referred explicitly to the conflict between the Right to Buy and their existing structure or local plans<sup>1</sup>. In reply to the Committee's question, "What consideration has been given to the impact of council house sales on other planning and on approved statutory development plans?" the Department replied, "There will be very little such impact"<sup>2</sup>. The evidence which the Committee has received casts doubt on that statement. The Committee urges the Secretary of State to set in hand a review of the implications for planning of council house sales.

<sup>1</sup> For example, Hertfordshire and Bedfordshire where council housing plays a key role in policies to restrain population growth and give priority to locally generated need (evidence not printed).

<sup>2</sup> HC 535-xi page 324 Q 23.

## IMPACT UPON PRIVATE HOUSING

## CHAPTER 9

**The effect of council house sales on mortgage cost, mortgage availability and on private housebuilding**

88. The Committee invited the Department of the Environment to say what, in their opinion, would be the impact of council house sales on the cost and availability of finance for house purchase, given certain assumptions as to the number of sales and the proportion funded by private sector mortgages. This the Department declined to do, commenting that, "The impact of given levels of sales on the availability of mortgage funds depends upon the proportion of private finance assumed to be employed within that figure and upon the extent to which personal savings may be mobilised as opposed to use being made of institutional money. This cannot be predicted"<sup>1</sup>. The Committee regrets that no more illuminating response was forthcoming, noting that some of the necessary assumptions were specified by the Committee and that on others—such as the proportion of finance deriving from personal savings—reasonably good statistical information on past experience is readily available.

89. The Committee's own enquiries suggest that the impact of council house sales on the cost and availability of mortgage finance will in fact be small, because the proportion of sales financed privately will be small. The evidence from the Building Societies Association and from Nationwide Building Society suggested that around 70 per cent of total sales prices has hitherto been funded by council mortgage lending. The balance has come from the building societies and cash, with some of the cash no doubt withdrawn from building society accounts<sup>2</sup>.

90. The Stow Report<sup>3</sup>—widely referred to in evidence to the Committee—examined the implications of the funding by building societies of 85,000 council house sales per year, and concluded that an additional £600m to £720m of funds would have to be raised each year. This compares with estimated net lending in 1980 of about £5,600m to £7,000m<sup>4</sup>. The Building Societies Association suggested to us that under conditions of tight mortgage availability—such as existed at the time—an increase of 3 to 4 points in the mortgage rate would be required to meet this level of council house sales in addition to mortgage demand elsewhere in the housing market<sup>5</sup>, although this estimate was described as "an absolute shot in the dark"<sup>6</sup>. Other Building Societies Association witnesses qualified this estimate by pointing out that private funding of council house sales might help to reduce the Public Sector Borrowing Requirement, and thereby reduce pressure on interest rates including those of building societies themselves<sup>7</sup>. Withdrawals of cash from tenants' building society accounts for use as a deposit on purchase would also

<sup>1</sup> HC 535-xi page 324 Q 25.

<sup>2</sup> Nationwide Building Society (evidence not printed) and Building Societies Association (HC 535-vi page 174 Qu.(ii) and Q 578).

<sup>3</sup> Building Societies Association: Mortgage Finance in the 1980s (Report of a Working Party under the Chairmanship of Mr. Ralph Stow), December 1979 pp 2-3.

<sup>4</sup> HC 535-v page 175 Qu.(vi)—and Q 633.

<sup>5</sup> HC 535-vi Q 602.

<sup>6</sup> HC 535-vi Q 603.

<sup>7</sup> HC 535-vi Q 604.

constitute a secondary effect but working in the opposite direction from that stemming from any reduction in the PSBR<sup>1</sup>. The Nationwide Building Society estimated that with 100,000 sales per year such withdrawals might amount to £100m a year<sup>2</sup>.

91. It is apparent, therefore, that if a large proportion of council house sales were to be funded privately, significant effects on mortgage interest rates and availability could result. However, we were told by the Building Societies Association that while there was no "antipathy among building societies to financing the purchase of council houses"<sup>3</sup>, they would not expect the scale of societies' involvement in the funding of council house sales to increase at a time when mortgage availability throughout the rest of the housing market was tight<sup>4</sup>. We were also told by both the Nationwide Building Society<sup>5</sup> and the Building Societies Association<sup>6</sup> that societies would tend to regard sitting tenant purchasers as having lower priority than other first-purchasers of equivalent investor and credit status since they were already satisfactorily housed.

92. It appears that probably rather a small proportion of sitting tenant purchasers are building society investors, who would receive preference under building societies' usual criteria for the allocation of mortgages<sup>7</sup>. It was pointed out to us that the statutory right to a council mortgage under S.1(i)(c) of the Housing Act 1980 makes it unnecessary for a sitting tenant purchaser to take the trouble to seek a private sector mortgage<sup>8</sup>. At the time of writing there is no financial incentive to do so, since the interest rate charged by the council under S.110 will be the same as the BSA recommended rate. The Committee notes that this will not always be so, and that in the event of the interest rate charged by local authorities under S.110 rising above the BSA rate, some tenant purchasers might seek building society mortgage<sup>9</sup>. Government publicity was also seen as having a role in determining the number of tenants seeking such mortgages<sup>10</sup>. The Committee also received evidence from the London clearing banks<sup>11</sup>. They each expressed an interest in extending their lending further into the house purchase field and one—Williams and Glyn's—has since announced its intention to remove any minimum loan figures so as to enable it to lend for council house sales<sup>12</sup>. The banks have so far not made significant enough inroads into the mortgage lending market to suggest that they would be likely to fund a high proportion of council house sales in the short term, but their increasing competitiveness and commitment to higher lending in this area does suggest that they might possibly offer a further source of sales funding in the medium term. Thus, although in circumstances where increased mortgage funds were channelled into council house sales by societies at a time of pressure on their funds this would have a direct and significant effect upon mortgage costs, the Committee concluded that in practice this was unlikely to occur.

93. There could also be wider economic and financial effects from the additional

<sup>1</sup> HC 535-vi Q 596-Q 598.

<sup>2</sup> Evidence not printed.

<sup>3</sup> HC 535-vi Q 595.

<sup>4</sup> HC 535-vi Q 581 and Q 595.

<sup>5</sup> HC 535-vi Q 580 and Q 601.

<sup>6</sup> Nationwide Building Society—Evidence not printed.

<sup>7</sup> HC 535-vi Q 582.

<sup>8</sup> HC 535-vi Q 636.

<sup>9</sup> HC 535-vi Q 578 and Q 636.

<sup>10</sup> Financial Times 8 August 1980.

demand for house purchase finance resulting from the resale of council homes bought by sitting tenants. Some witnesses told us of their concern that the potential demand for funds resulting from the resale of dwellings could be much greater, because these resales would take place at prices inflated by the amount of the original discount and by any further increase in house prices, in real or nominal terms. They would also be financed almost entirely by the private sector rather than mainly by the public sector as in the case of the initial sales<sup>1</sup>. Such demand for funds on resale was not considered explicitly by the Stow Report<sup>2</sup>. Our Adviser's Memorandum No 7 suggests that by 1994 this demand for funds on resale could be running at between £756 million and £849 million at 1980 prices, in addition to any mortgage demand arising from the continued sale of council houses<sup>3</sup>. This would be an appreciable addition to the demand for funds.

94. Most private housebuilders giving evidence to the Committee considered that council house sales would have little effect on the demand for new private homes in the short term. Although certain other witnesses thought that there would be an effect, none offered any quantitative evidence on the issue<sup>4</sup>. The private housebuilders' view was supported by the City of Birmingham who quoted evidence to us that the number of tenants leaving to buy in the private market was unaffected by the rate of council house sales<sup>5</sup>. This evidence was referred to in oral evidence by the Department of the Environment, who also cited their quarterly survey of building society mortgages as tending to lead to the same conclusion<sup>6</sup>. However, the Committee notes that evidence of this kind is difficult to interpret, because of the complex interaction of a number of variables influencing tenants' propensity to buy in the private sector, including demographic variables, interest rates, movements in the levels of house prices and of local authority rents and the local availability of suitable private housing for sale; and that it antedates the large increases in discounts introduced in May 1979 and incorporated in the Housing Act 1980<sup>7</sup>.

95. Three out of thirteen housebuilders felt that some adverse effect would be felt in the short term, and The House-Builders Federation wrote that "... very slight reservations have been registered (by) builders for whom first-purchasers form a substantial element of their sales about the effect on sales ... and ... a point might be reached when the combination of discounts and the ability of a tenant to freeze the sale price of a council house for two years might represent a substantial element of unfair competition"<sup>8</sup>. The majority took a different view and the Committee was not persuaded that any such effects would be serious.

96. It seems reasonable to accept the view of the House-Builders Federation that there will be competition from council house sales only in certain limited areas, such as New Towns, where there are large numbers of council house sales and a

<sup>1</sup> HC 535-v Mr Bernard Kilroy page 130 paras 26-27 and page 137 para 40.

<sup>2</sup> Building Societies Association: Mortgage Finance in the 1980s (Report of a Working Party under the Chairmanship of Mr. Ralph Stow) December 1979.

<sup>3</sup> Appendices to Minutes of Evidence (Volume III), Pages 57-79.

<sup>4</sup> National Consumer Council and Birmingham University Centre for Urban and Regional Studies (evidence not printed) and Mr. Bernard Kilroy (HC 535-v page 128 para 11 and Q 478-Q 480, Q 483).

<sup>5</sup> HC 535-x Q 912.

<sup>6</sup> HC 535-xi Q 995-Q 997.

<sup>7</sup> HC 535-vii Q 659.

<sup>8</sup> HC 535-vii page 229 paras 4.1 and 4.2 and Q 687-Q688.

small existing owner-occupied stock. Most housebuilders giving evidence to the Committee expected that in the long run the demand arising from "trading up" moves by sitting tenant purchasers would provide a stimulus to private house-building, particularly given the expected higher rate of mobility of tenant purchasers compared to that of tenant non-purchasers.

97. It has been suggested to the Committee, in Adviser's Memorandum No 7<sup>1</sup>, that the extension of home-ownership, by weakening the influence of first-time buyers on price formation, tends to make the housing market less stable and more vulnerable to inflationary surges. This is because the ability to buy of existing owner occupiers who are moving is relatively unaffected by changes in the general level of house prices. They gain from a house price increase by receiving a higher price for their existing property, just as they lose by having to pay more for their new one. The Committee notes that little or no attention has been given hitherto to this effect of the extension of home-ownership, whether or not through council house sales. It would be a medium-term effect of council house sales, but is potentially significant.

<sup>1</sup> Appendices to Minutes of Evidence (Volume III). Pages 57-79.

## EFFECT ON PUBLIC FINANCE

## CHAPTER 10

**The financial effects of council house sales on the public sector**

98. On 11 January 1980, immediately before the Second Reading of the Housing Bill, the Department of the Environment published its "Appraisal of the Financial Effects of Council House Sales". The Committee has received a considerable amount of evidence on the validity of the Appraisal, and has also received much relevant information in the replies to its local authority questionnaire. Particular reference must be made to the valuable Memorandum received from the Comptroller and Auditor General<sup>1</sup>. This memorandum was presented to the Public Accounts Committee, who decided, in the light of the Environment Committee's Enquiry, not to take evidence on the subject themselves. The Committee wishes to record its thanks to the Public Accounts Committee and to the Comptroller and Auditor General.

99. A full summary and discussion of the evidence received by the Committee which is relevant to the Financial Appraisal has been prepared by one of the Committee's Specialist Advisers and considered by the Committee<sup>2</sup>.

100. Paragraph 1 of the DOE Appraisal states: "The Government's policy of selling council houses stems in the first instance from the importance it attaches to home ownership; but selling council houses does have financial effects for public funds. This paper attempts to assess those effects." Paragraph 11 states "The calculations are in terms of reasonably representative figures, which are considered to provide a fair picture but which do not apply to each and every case." Moreover, in the DOE Press Release (PN7, 11 January 1980) accompanying the document on its publication, the Secretary of State said:

"The appraisal which we have published today represents a most rigorous, sophisticated and comprehensive attempt to assess the financial effects of the sale of council houses . . . . To maintain objectivity a very wide range of alternative assumptions has been used. The appraisal shows that for the first 20 years, in all the assumptions examined in the appraisal, the sale of council houses would be financially beneficial to both local authorities and to the Exchequer. That takes us to the end of this century. Beyond that the assumptions, and therefore conclusions based on them, must be still more speculative. The appraisal reinforces our view that the sale of council houses should bring appreciable benefits, not only to council tenants, but to the community as a whole."

101. However, in oral evidence to the Committee, DOE officials said: "In fact we did not present the Appraisal making judgments ourselves as to the probability of the assumptions. We specifically said that the ranges were not given to show the bands within which the answer must necessarily lie, but only to give an indication of the sensitivity of the calculations to alternative assumptions"<sup>3</sup>. A similar point was later made by the Department in written evidence<sup>4</sup>. The Committee accepts

<sup>1</sup> Appendices to Minutes of Evidence, Volume III, pages 1-9.

<sup>2</sup> Memorandum No. 4, Appendices to Minutes of Evidence pages 25-56.

<sup>3</sup> HC 535-xj Q 1003.

<sup>4</sup> Appendices to Minutes of Evidence, Volume II, pages 390-408.



that statements about the long-term financial effects of council house sales can only indicate a range of probabilities and the balance between them, depending on the validity of the assumptions used. But the Committee finds that the Appraisal, as published, did purport to show the probable actual financial effects of sales, and considers that it must be evaluated in that light. In any case, like the Comptroller and Auditor General, the Committee is primarily concerned to discover the most likely financial effects of sales.

102. The Department has also replied to certain criticisms by arguing that the Appraisal concerned the "representative case" of a council house sale. The Committee notes that in paragraph 12 of the Appraisal, the Department writes of "making the appraisals in terms of "average" or "representative" figures", with the implication that the words "average" and "representative" are synonymous. Only an analysis of "average" results will show the likely actual effects of the Right to Buy, and the Committee rejects the use of "representative" figures in any way such as to give a different result.

103. The Committee agrees with the Department that there is no uniquely correct time period for appraising the financial effects of council house sales. The Committee does not accept that a twenty-year time period has any special claim to consideration in representing the long-term effects. The choice of any period shorter than the expected further life of the average dwelling sold can only be arbitrary. On the other hand, the Committee accepts that the validity of assumptions relating to projections of more than twenty years ahead becomes increasingly speculative. The Committee is disturbed to find that the Department appears not to have used the twenty year horizon correctly in relation to mortgage receipts and improvement expenditures<sup>1</sup>.

104. The Committee believes that the Financial Appraisal may give an unduly favourable view of the financial effects of council house sales. In reaching this conclusion, the Committee has considered a number of criticisms of the Appraisal's assumptions.

105. The Committee concurs with the Comptroller and Auditor General in regarding the lowest assumption on the rate of increase of rents as clearly less probable than the highest assumption. Indeed, the Committee finds it surprising that the Department should have included in the Appraisal one assumption which by implication suggests that rents would fall to 1 per cent of the earnings of full-time male manual workers over 21, from their present historically low level of around 7 per cent, and that the proportion of gross rents lost through rebates should at the same time remain unaffected<sup>2</sup>. The highest rate of increase of rents which was considered by the appraisal was one in which rents increased at the same rate as earnings. The Committee accepts the view put to it by CIPFA that among the alternatives which the Appraisal should have considered was an increase of rents in relation to earnings.

106. The Committee notes the Comptroller and Auditor General's view that the highest of the Department's three assumptions on the savings in upkeep and

<sup>1</sup> Para 29 of Memorandum No. 4 (Appendices to Minutes of Evidence, Volume III page 30).

<sup>2</sup> Paras 60-62 of Memorandum No. 4 (Appendices to Minutes of Evidence, Volume III pages 35-36).

management expenditures—namely an immediate fall in average cost saving—ought not to be included in the Appraisal. While the Committee acknowledges the Department's right to include for illustrative purposes whatever assumption it wishes, the Committee believes this assumption to be unrealistic<sup>1</sup>. The Committee also accepts the Comptroller and Auditor General's criticisms of the Department's assumptions on expenditure avoided on renovation. The Department argued, in paragraph 47 of the Appraisal, that its assumptions on the average time before renovation were reasonable in the light of the "shift to improvement" in local authorities' Housing Investment Programme bids. The Committee believes that these assumptions were probably optimistic and that they are even less plausible now as a consequence of changes in local authority spending plans mainly resulting from the reductions in public expenditure announced in Cmnd 7841 and examined in the Committee's First Report 1979/80<sup>2</sup>.

107. The Comptroller and Auditor General also suggested that the public sector cost of private improvements should be included in the Appraisal. The Committee agrees<sup>3</sup>.

108. On rent rebates, the Committee noted that the Comptroller and Auditor General argued that allowance should be made for the future effect of the new State pension scheme. The Committee accepts this point<sup>4</sup>.

109. One of the most important items, that of the allowance to be made for replacement, the Committee notes that the assumptions made by the Department are questionable. The Department assumed, on the basis of its analysis of the loss of relets, that no need for replacement would arise for thirty years. It has now been established that, on the basis of the Department's own analysis, some loss of relets would occur immediately and would be cumulative. The question of replacement does, therefore, arise. The Committee accepts that there is considerable uncertainty about the allowance to be made for replacement, and that a wide range of assumptions is therefore appropriate. But the Committee is also convinced that the correct allowance is not zero<sup>5</sup>.

110. The Committee has considered a number of other issues which were not commented upon by the Comptroller and Auditor General, including the initial rent level to be assumed<sup>6</sup>; the effect of the eligibility for tax relief or option mortgage subsidy of retirement annuities raised on the security of owner-occupied homes<sup>7</sup>; the costs of separate rate collection<sup>8</sup>; and, in a whole life assessment, the value of the site of the dwelling<sup>9</sup>. These points must be taken into account.

111. The Department assumes that the one-quarter per cent authorities may add to their pool rate in fixing the interest rate to be charged to tenant purchasers will

<sup>1</sup> Paras 87-91 of Memorandum No. 4, (Appendices to Minutes of Evidence, Volume III pages 40-42).

<sup>2</sup> HC 714.

<sup>3</sup> Para 15 of Memorandum No. 4, (Appendices to Minutes of Evidence, Volume III page 27).

<sup>4</sup> Para 23(a) of Comptroller and Auditor General's evidence (Appendices to Minutes of Evidence, Volume III page 5).

<sup>5</sup> Paras 116-127 of Memorandum No. 4, (Appendices to Minutes of Evidence, Volume III pages 47-49).

<sup>6</sup> Paras 51-54 of Memorandum No. 4, (Appendices to Minutes of Evidence, Volume III pages 33-34).

<sup>7</sup> Paras 83-86 of Memorandum No. 4, (Appendices to Minutes of Evidence, Volume III page 40).

<sup>8</sup> Para 96 of Memorandum No. 4, (Appendices to Minutes of Evidence, Volume III page 42).

<sup>9</sup> Paras 112-115 of Memorandum No. 4, (Appendices to Minutes of Evidence, Volume III pages 46-47).

be sufficient to cover the administrative costs resulting from sales<sup>1</sup>. CIPFA recommended that it should be higher and considered a range of  $\frac{1}{2}$  per cent to 1 per cent to be more appropriate<sup>2</sup>. On this assumption the average selling cost would be £200 per unit<sup>3</sup>. Selling costs as high as £1,100 per dwelling sold could be inferred from cost information reported by Wandsworth<sup>4</sup> and the Greater London Council, although the GLC's own estimates were lower<sup>5</sup>. Although such a high level appears to be untypical, the Department appears to have underestimated the costs of selling in its Appraisal.

112. Whilst the publication of the Department's Appraisal was a useful development of the debate on the financial effects of council house sales, the Committee regrets that as the only long-term Financial Appraisal which was made available to the House prior to the passing of the Act, it should thus have been shown, upon admittedly more detailed and lengthy analysis, to contain so many defects. In Memorandum No 4<sup>6</sup> our Adviser has applied the same analytical techniques as those used in the Department's Appraisal but with some alterations to their assumptions. He concluded that the financial effect remained favourable in the short term. Over a twenty-year period the range of probable results, depending on the assumption, embraces both gains and losses—a result substantially different from that shown by the Department. Over a fifty-year period, on the assumptions used<sup>7</sup>, every variant examined by our Adviser showed a loss, whereas in the Department's Appraisal there was a mixture of gains and losses. In view of the fact that our Adviser's findings differ so radically from the Department's and reflect such a predominance of losses, the Committee considers a thorough and comprehensive reply from the Department on this issue to be of paramount importance. Meanwhile the Committee concludes that the extreme sensitivity of the results over a very long-term period to relatively small changes in assumptions about the future streams of costs, benefits, payments and receipts makes a definitive conclusion about the long-term financial effects of sales upon the public sector impossible.

113. It is important to emphasise that the fact that long-term losses are likely to result from council house sales does not necessarily mean that sales are inadvisable for local authorities, even on financial grounds. The favourable short-term financial effects, already discussed in paragraph 64 above, also need to be taken into account. Memorandum 1 to the Committee's First Report 1979/80<sup>8</sup> estimated that by 1983/84 the annual combined capital and revenue benefit resulting from an increase in the level of sales to 100,000 per year from their 1979/80 level of about 40,000 would have reached £335 million at 1979 survey prices.

<sup>1</sup> DOE Financial Appraisal para 44.

<sup>2</sup> HC 535-v Q 511.

<sup>3</sup> Paras 92-95 of Memorandum No. 4, (Appendices to Minutes of Evidence, Volume III pages 41-42).

<sup>4</sup> Appendices to Minutes of Evidence, Volume II pages 349-353.

<sup>5</sup> Para 93, Memorandum No. 4, (Appendices to the Minutes of Evidence, Volume III page 41).

<sup>6</sup> Appendices to Minutes of Evidence, Volume III pages 25-56.

<sup>7</sup> The Comptroller and Auditor General questioned the likelihood that the Department's lowest assumption for rent increases would occur whilst CIPFA suggested that a real increase in rents was likely. The C and AG also commented that in his view some of the assumptions most favourable to public funds were clearly less probable than those least favourable. Our Adviser eliminated the two lowest assumptions on rent increases and inserted a higher assumption with a rise in real rents. No change was made to the variants (cases) used by the Department. (Memorandum No. 4, paragraphs 55-64, Appendices to the Minutes of Evidence Volume III pages 34-36).

<sup>8</sup> HC 714, Appendix 1 para 21.

114. New subsidy arrangements are being introduced by the Government under Part VI of the Housing Act, 1980. There will no doubt be short term and long term effects for local authorities, but the Committee has not delayed its Report in order to call for evidence on these effects which have yet to be experienced. The Committee suggests that as council house sales proceed, the Department should monitor the effects to discover whether the subsidy arrangements give rise to anomalies and unfairness in the financial relationships between local and central government. **In the meantime, the Committee welcomes the ending of the anomaly whereby capital investment financed from capital receipts has been inadmissible for housing subsidy.**

## EQUITY BETWEEN INDIVIDUALS

## CHAPTER 11

**The benefits and disadvantages of council house sales for tenant purchasers: Gains and losses for remaining tenants**

115. Council house sales can bring real benefits to tenant purchasers, and may indirectly benefit those who purchase the dwellings concerned on resale. Perhaps the most fundamental benefit is in meeting the tenure preference of the people concerned<sup>1</sup>. Among the specific non-financial benefits to purchasers which were mentioned to us were: freedom to improve, convert and choose maintenance standards; increased mobility; ability to trade up or down; satisfaction and independence of ownership and additional security. The Tenants Charter enacted by Chapter II of the Housing Act 1980 ought to go some way to reducing the disparity between owner occupation and council tenancy, but major differences will remain. The Committee welcomes the reduction in these disparities, but would wish to see continued progress to reduce these still further.

116. The Department suggested that employment, social services and education policies and inner cities programmes should be affected beneficially by the sale of council houses, because of the willingness of the new owner occupiers to spend money on the improvement and enhancement of their properties<sup>2</sup>. The Committee does not dissent in principle from the Department's view on the maintenance of property, but because the evidence is inconclusive as to whether sales have led to improvements or problems of undermaintenance, and as past experience is of only limited value, the Committee recommends that the effects of sales in this regard should be monitored.

117. The evidence presented to the Committee also identifies various financial advantages of council house sales for tenant purchasers. These are as follows: acquisition of an asset which can be expected to appreciate in real value, and is a good investment; mortgage payments which decline in real terms; generous discounts, together with entitlement to a two-year option to purchase at a fixed price; tax relief on mortgage payments, and other tax concessions; the right to a mortgage; and enhanced ability to borrow. Only sitting council tenants have the right to a mortgage on 100 per cent of the purchase price of the dwelling. This is clearly a valuable right over and above the Right to Buy.

118. It was pointed out to us that owning a substantial share of the equity of one's own home provides security against which enhanced borrowing is possible<sup>3</sup>. The effect of the new scale of discounts is that tenant purchasers immediately own a very much more substantial share of the equity. Even if no deposit at all is put down, the Department's own estimates<sup>4</sup> suggest that the average purchaser, by virtue of the discount, will immediately own an equity of £5,600 (fully realisable after five years). The enhanced ability to borrow can be used either for additional consumption or for investment. The opportunity to invest in an appreciating asset is also of obvious value.

<sup>1</sup> Building Societies Association (HC 535-vi Q 626) and DOE evidence HC 535-xi page 323.

<sup>2</sup> HC 535-xi page 324.

<sup>3</sup> E.Hampshire, Huntingdon and Peterborough (evidence not printed).

<sup>4</sup> Appraisal of the Financial Effects of Council House Sales, DOE, January 1980, para 26.

119. Council house purchase is not without disadvantages for those who buy. Those raised with the Committee in evidence are as follows: immediately higher housing costs; continuing extra maintenance costs; expenditure on insurance; legal and agency costs; in the case of flats, service charges additional to the mortgage; possible problems of resale; some restriction on mobility during the five year period when part of the discount is repayable on sale; loss of entitlement to rebates and rate fund subsidy; and some risk of mortgage foreclosure and consequently of homelessness, if the purchaser's income drops and mortgage payments cannot be maintained. Two of these issues are further examined here. They are the risk of mortgage default and foreclosure and the related issue of the cost of mortgage repayments compared with rents.

120. Local authorities' evidence to the Committee shows that mortgage default among council house purchasers in the past has been minimal. Where it has occurred, it has been at a significantly lower rate than among other house purchasers with a local authority mortgage<sup>1</sup>. Some cases of repurchase by the local authority have occurred, connected for example with marital disputes, but very few reposessions are reported<sup>2</sup>. This is not surprising given the characteristics of sitting tenant purchasers, who in the past have often been relatively well off.

121. Although most local authorities expect future purchasers also to be relatively well off, the more generous terms of the Right to Buy can be expected to draw in more marginal purchasers. Some local authorities and other organisations expressed concern that problems of default will emerge in the future<sup>3</sup>.

122. The Committee considers that past experience of default may not be an adequate guide for the future, as the Right to Buy and larger discounts are likely to draw in households who previously could not buy, and rising unemployment is also likely to increase the incidence of default. The Committee is also concerned that mortgage default may be exploited by fringe financial institutions lending at high rates of interest and recommends that this should be monitored by the Department.

123. The tenant purchaser's statutory right to a mortgage has been criticised by a number of witnesses. In discussing S.1(1)(C) of the Housing Act, 1980, CIPFA told us of their "disquiet at the lack of discretion to local authorities in the granting of mortgages, believing that the lender should have the right to determine both the credit-worthiness of the proposed purchaser and the amount to be left outstanding on the security of a mortgage should one be granted"<sup>4</sup>. SHAC (the London Housing Aid Centre)<sup>5</sup>, and Stevenage District Council<sup>6</sup>, made the same point, and SHAC added that S.4 of the Housing Act 1980, which gives a joint right to a mortgage to joint tenants and to up to four members of the family occupying a home, may also give rise to cases of default if one or more of the joint purchasers wishes to leave during the life of the mortgage<sup>7</sup>. Birmingham said that 25 year mortgages were being given to tenants aged 85 and even 90<sup>8</sup>. Against this background the Committee has noted that in the Housing (Right to Buy) (Mortgage Limit) Regulations

<sup>1</sup> Wirral, Newcastle-upon-Tyne, Stockport (evidence not printed).

<sup>2</sup> Welwyn, Bristol (evidence not printed).

<sup>3</sup> Sheffield, Guildford, Nottingham, Manchester, Nottingham Alternative Publications and the Centre for Urban and Regional Studies (Birmingham University) (evidence not printed).

<sup>4</sup> HC 535-v page 156.

<sup>5</sup> Evidence not printed.

<sup>6</sup> HC 535-x Q 951.

1980 made by the Secretary of State under S.9(4) of the Housing Act 1980, the multiplier applied to "available annual income" for all tenants under 60 is 2.5 when the "standard national rate" of interest under S.110(4) has been fixed successively at 15, 14 and now 12 per cent<sup>1</sup>. The question arises whether, if building society interest rate levels are to be followed, would it not seem wise also to follow building society practice on income multipliers? Is 2.5 too high to be applied as a mandatory multiplier and would 2.0 or 2.25 be more appropriate, with discretion for local authorities to use a 2.5 multiplier if they saw fit? A further question arises whether tenants aged just under 60 should be given the right to a 25 year mortgage of 2.5 times annual income when in practice a severe reduction in income at or before age 65 is almost inevitable. Does such a provision invite tenants to become over-indebted and put local authorities at financial risk? The Committee recommends that the working of the statutory right to a mortgage provisions of the Act should be closely monitored on these points.

124. The Committee notes the view of the Institute of Housing that there will be "an increasing need for a counselling service, both for intending purchasers and for those already in arrears with their mortgage repayments"<sup>2</sup>.

125. The Committee is also concerned about the treatment of default when it arises. The Committee considers that default and foreclosure should not necessarily be followed by an open market sale, with its probable consequence that the household concerned will be rendered homeless and will be obliged to seek rehousing, in many cases, under the Housing (Homeless Persons) Act 1977. It was put to the Committee by the Association of District Councils<sup>3</sup> that the local authority should not be prevented from re-acquiring the property concerned, to enable the occupier to continue to live in the same property as a tenant. The Committee urges the Secretary of State to clarify this position, to advise local authorities how to proceed and to remove any barriers to reacquisition of council houses from defaulting purchasers buying under the Right to Buy.

126. The majority of tenant purchasers will be faced with mortgage repayments which are considerably higher than the rent they would otherwise pay. The terms of sale and of the mortgage, including size of deposit, size of discount, mortgage repayment period, interest rate and choice between option and tax-relief mortgage, have very significant effects on the relationship between rent and mortgage repayments. The evidence also suggests a considerable variation between authorities because of differences in rent and property values. The range of ratios of mortgage repayments to rents found between authorities, in the evidence given to the Committee, was from 1.16 to over 3.5. Wide ranges were also reported within authorities, from under 1.0 to over 6.5. Fifteen authorities quoted ratios of under 1.5<sup>4</sup>. Thus, while most tenants will initially be paying substantially more in mortgage repayments than they would do in rents, a significant number appear likely to be paying less from the start. A fall in the mortgage interest rate, together with the expected real increases in rents, must increase this number. The Department of the Environment stated that:

<sup>1</sup> The "standard national rate" was fixed initially at 15 per cent, became 14 per cent with effect from 1 January 1981 and 12 per cent on 10 March 1981.

<sup>2</sup> Evidence not printed.

<sup>3</sup> Bolton, Knowsley, Stockport, West Lancashire, Skelmersdale Development Corporation, Bradford, Leeds Bassetlaw, N.E. Derbyshire, Birmingham, Huntingdon, Peterborough, Kensington and Chelsea, Bristol and the GLC.

"Instances where net mortgage outgoings were initially lower than rent would, as far as we know, be exceptionally rare"<sup>1</sup>.

In fact, it appears to the Committee that this will be a persistent phenomenon in a small minority of cases. Where initial mortgage repayments are lower than rents, very obvious issues of equity between purchasers and tenants are posed.

127. In a speech on 7 April 1979, before he became Secretary of State, Mr Heseltine said, "We would not allow the initial mortgage repayments to be less than the rent a tenant currently pays. In the case of cheaper and older properties there will undoubtedly be tenants of long standing whose mortgage repayments will be no higher than they currently pay in rent, and mortgage terms consequently may be shorter than normal if their rent payments exceed the level of instalments that would cover, say, a twenty year mortgage term"<sup>2</sup>. S.18 of the Housing Act 1980 gives the Secretary of State the necessary powers to implement his undertaking and the Committee recommends that he should do so.

128. The financial effects of council house sales on local authorities have implications for those of their tenants who do not buy. In the short run, since sales are normally financially beneficial to local authorities, they can only benefit tenants, although the removal of the "no profit rule" for housing revenue accounts has the effect that these benefits may be passed on not to tenants but to the general rate fund. In the long run, the financial effects of sales may be disadvantageous for those tenants who remain.

129. Some local authorities told us that they expected the standard of maintenance of their remaining stock to be affected as a result of sales. Any such results depend in part on the overall financial effects, since these will affect the availability of funds for management and maintenance services. But concern was expressed to us by the Housing Centre Trust, the Institute of Housing, and the National Consumer Council<sup>3</sup>, and by more than half the local authorities in our survey, that the dwellings sold will tend to be those which have the lowest maintenance costs. This would be because houses have lower management and maintenance costs than flats and purchasers are likely to be tenants who maintain their homes well themselves. Moreover, management costs could rise because of the difficulty of supervising housing estates and blocks of flats with mixed public and private ownership. Increased management and maintenance costs could lead eventually to rent increases for tenants who do not buy. The Committee has been disturbed to hear recently that some local authorities may be withholding proper repair and maintenance from some tenants who have indicated a desire or intention to buy their properties. The Committee would deplore any such illegal activity.

<sup>1</sup> Additional written evidence: Appendices to Minutes of Evidence, Volume II page 395.

<sup>2</sup> Conservative Central Office Press Release GE467/79.

<sup>3</sup> Evidence not printed.



## CHAPTER 12

**Council Homes Sales and the Redistribution of Wealth**

130. The question of the redistribution of wealth through council house sales has been referred to by a considerable number of witnesses. In their oral evidence the Greater London Council referred to a belief that "there should be a redistribution of wealth from the State to the people, and that by the discouragement of public sector housing one can have that redistribution of wealth"<sup>1</sup>. The Department of the Environment told us, "By enabling council tenants like others to benefit from the capital appreciation made of housing sales should distribute wealth more widely"<sup>2</sup>.

131. The Committee received a considerable volume of evidence about the effects of council house sales on the redistribution of wealth, which is summarised in an accompanying Memorandum<sup>3</sup>. Professor Harbury of the City University<sup>4</sup> pointed out to us that dwellings are now the major asset held by individuals, accounting for about 40 per cent of the wealth of the adult population as a whole (compared with under 20 per cent in 1960). In recent years changes in the ownership of dwellings have had a significant equalising effect on the distribution of personal wealth, raising in particular the share of "middle" wealth holders compared with that of the "top" wealth holders.

132. There can be no doubt that sales do normally redistribute wealth in favour of tenants who purchase. There is occasional reference in the evidence to problems of reselling, but the evidence is overwhelming that the value of the house normally increases steadily. The Anglia Building Society for example indicated that dwellings bought in 1972/73 for an average price of £3,826 by 1980 had an average price of £15,302<sup>4</sup>. Tenant purchasers also gain from the discount, worth £5,600 on average in 1980/81.

133. Given that a redistribution occurs, the question arises whether it makes the distribution of wealth more equal. Professor Harbury pointed out to us that council tenant purchasers are better off than private tenants<sup>4</sup>. The evidence we have received also suggests that tenant purchasers are better off than the majority of council tenants. Household heads have above average incomes and there are often two incomes coming into the household. What is not entirely clear to us is how far the higher incomes of tenant purchasers can be explained as being the result of the stage which they have reached in the life-cycle: incomes tend to be highest for people in their forties, and this has been the typical age for council house purchase. There appears to be insufficient evidence available to settle this issue.

134. However, evidence, on socio-economic group membership, because it is largely free of life-cycle distortions, is also valuable in establishing whether tenant purchasers are "better off" than other tenants. Although some of this evidence is unsatisfactory, it suggests that there is a higher proportion of professional and managerial workers among purchasers than among tenants as a whole. On the proportion of unskilled manual workers, the worst paid group, the evidence is

<sup>1</sup> HC 535-x Q 904.

<sup>2</sup> HC 535-xi p.322.

<sup>3</sup> Memorandum 2, (Appendices to Minutes of Evidence, Volume III pages 10-17).

<sup>4</sup> Evidence not printed.

unclear, but it does show that many economically active unskilled workers have succeeded in buying their council houses. Presumably some groups—for instance the long-term ill or disabled, or the long-term unemployed—will remain completely excluded from the opportunity to buy, and for many tenants the Right to Buy may be worth little, because of the nature of the housing they occupy. The Commission for Racial Equality, for example, argued that because ethnic minority households tend to be allocated poorer quality council housing, few are likely to be in a position to benefit from the sale of council houses<sup>1</sup>.

135. Whether the redistribution of wealth effected by council house sales constitutes a move towards an equalisation of wealth holding appears to depend on how such an equalisation is defined. One common method of defining an equalisation is that the share of the total stock of privately owned wealth held by an arbitrarily chosen wealthy group, such as the most wealthy 10 per cent, should fall. If this definition is adopted, then council house sales certainly do bring about a more equal distribution of personal wealth through the transfer of assets previously publicly owned to private individuals. However, if a more complex definition is adopted, under which an equalisation is defined as a reduction in the extent to which the distribution of personal wealth deviates from perfect equality, then it is not clear whether council house sales do produce a more equal distribution. Certainly, many families with low incomes have succeeded in buying, but many others have not, and many are likely to be permanently excluded from the opportunity to buy. The complex question of who pays for the capital gains, and the discounts, received by purchasers, also needs to be considered. On the latter definition of an equalisation, no simple answer seems possible.

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<sup>1</sup> Evidence not printed.

## CHAPTER 13

## Discounts and the Two-Year Option—General Observations

136. In his speech on the Second Reading of the Housing Bill on 15 January 1980, the Secretary of State for the Environment outlined the reasons for his policy on discounts and the two-year option. On the former he said:

"The purchase price will be based on the market value less a discount of between 33 and 50 per cent, depending on the purchaser's length of tenancy. If a dwelling is resold within five years, the original purchaser must repay a part of the whole of the discount.

I believe that these are fair proposals. They recognise what is common practice in the private sector—that a sitting tenant often purchases his home at significantly less than its open market value.

Our proposals also recognise the length of time tenants have been paying rent and have, therefore, not accumulated wealth as have home owners. There are countless examples where council tenants have paid more in rent than early post-war purchasers have paid in mortgage repayments. Yet the purchaser of an average house has an asset worth £20,000 or even £30,000, but the tenant has the right simply to go on paying rent. Our discounts will bring home ownership within the reach of many for whom it would otherwise remain an impossible dream"<sup>1</sup>.

On the latter he said:

"Clause 15 provides for tenants who cannot afford on financial grounds to buy immediately to receive a two-year option to purchase their homes at the original valuation. For this they will make a returnable deposit of £100. It will enable them to save for the purchase of their homes in the firm knowledge of an established price. That fulfils another manifesto promise"<sup>2</sup>.

Nevertheless the Committee received a number of criticisms of these provisions from the Chartered Institute of Public Finance and Accountancy (CIPFA)<sup>3</sup>, and from the Institute of Housing and the National Consumer Council<sup>4</sup>. The Committee considers that the new discounts can be justified on the grounds that they will increase council house sales and that they will result in a greater accretion of wealth to tenant purchasers. The Committee welcomes the discounts on both counts.

137. The Committee welcomes the fact that the Secretary of State has prescribed a maximum discount, under S.7(4) of the Act, because the discount is generous<sup>5</sup>. The Committee notes that the true maximum discount may be substantially larger because of the availability of the two-year option to purchase even where the

<sup>1</sup> Official Report 15 January 1980, Col. 1445.

<sup>2</sup> Official Report 15 January 1980, Col. 1447.

<sup>3</sup> HC 535-v Q 564. "What we cannot quite follow is why, if a person has been living in a house for a much longer period, he should get a higher discount . . . . To carry it to its conclusion, if a tenant has been living in a house, say, for 30 years, he must be much nearer giving the tenancy up than a man living in a house for 3 years."

<sup>4</sup> The discounts described as "excessive" and unfair to tenants who are still paying rent (evidence not printed).

<sup>5</sup> Housing (Right to Buy) (Maximum Discount) Order 1980.

maximum discount already applies (supposing a 10 per cent per year increase in house prices, the true maximum discount at 1980 prices is £29,339)<sup>1</sup>.

138. CIPFA also drew our attention to the practical difficulties in establishing length of tenancy<sup>2</sup>. They welcome the provision of S.25 of the Housing Act that a statutory declaration by the tenant may be taken as sufficient evidence if the authority sees fit, but said "the dangers of a false declaration should not be overlooked" and that they "would wish to see a substantial financial or other penalty incorporated in the Bill to safeguard against such an occurrence". Again, the Committee notes that this has not been done, but proceedings could no doubt be taken under the Theft Act.

139. CIPFA criticised the "cost floor" provision contained in the original draft of the Housing Bill. They told the Committee that the limitation to dwellings first let after 31 March 1974 of the provision that discount should not reduce the price below historic cost would in fact result in dwellings being sold below historic cost, particularly in the case of modernised dwellings<sup>3</sup>. Other witnesses made the same point in written evidence and some expected that a change would be made<sup>4</sup>. A change was in fact made: under S.7(2) of the Act only costs treated as incurred after 31 March 1974 and totalling over £5,000 are to be considered. The Committee has examined this section and the Statutory Instrument Housing (Local Authority and New Towns) (Cost Floor) Determination 1980 and notes that the criticisms of CIPFA and other witnesses have not been fully met. No costs incurred before 1 April 1974 are now to be considered, whether or not the dwelling was originally built or acquired before then; and, moreover, costs which were inadmissible for housing subsidy are to be disregarded, as are interest payments, administrative costs, and capital works financed from revenue. It is questionable whether local authorities may fairly be obliged to disregard unsubsidised costs which have been properly incurred. The Committee regrets that the principle that discount should not reduce the sale price of a dwelling below historic cost has not been more closely followed in S.7(2) and in the Secretary of State's determination.

140. The Committee has also received evidence on the two-year option to purchase (S.16 of the Housing Act 1980), including some very strong expressions of concern<sup>5</sup>. The Committee accepts that the two-year option will enable households at the margin to benefit from the Right to Buy, and that a case can be made for it on those grounds. The Committee also notes that, while the value of this additional concession could be very large in the individual cases where it is taken up, in the aggregate it is likely to be small by comparison with the value of the discounts given under S.7 of the Act. In some cases the two-year option could give

<sup>1</sup> With a 50 per cent discount of £25,000 on an original market price of £50,000, the sale price would be frozen at £25,000, while after two years the market price would have risen to £60,500, to give a discount at that time of £35,500. This is equivalent to £29,339 at 1980 prices.

<sup>2</sup> HC 535-v, para 156, para 3.4.

<sup>3</sup> HC 535-v, para 156, para 3.6 and Q556.

<sup>4</sup> Bradford, Norwich and the Association of District Councils (evidence not printed), and Thamesdown HC 535-lx, para 247 (vi).

<sup>5</sup> The House Builders Federation (HC 535-vii Q 688) The Royal Institute of Chartered Surveyors said "contrary to normal commercial practice and unreasonable" (evidence not printed). The Institute of Cost and Management Accountants said "inequitable compared with the private sector" (evidence not printed).

The Institute of Housing considered the option and discount to be excessive (evidence not printed).

an additional discount of 10 per cent on that already provided<sup>1</sup>. Our Advisers estimate that even if 20 per cent of purchasers were to use the option for the full two-year period, at a time of 20 per cent inflation per year, the effect would be to raise the overall average discount only by 3½ per cent. However, the Committee notes a number of undesirable consequences to which our attention was drawn. There was concern at the amount of valuation and other work which must be done by the local authority, even if the purchase is not proceeded with. Many local authorities also told the Committee that pressure from tenants to maintain or improve the property could be expected to increase during the option period. If such expenditures, over and above those normally made, were incurred, they would not be recouped by any increase in the eventual purchase price. If, for this reason, repairs or improvement were deferred, then if the purchase were not proceeded with the local authority would be left with additional difficulties and expense as a result. The Committee considers that local authorities should resist pressure to improve property during the period of the option but that they must fulfil their statutory repair and maintenance obligations.

141. Under S.16, the two-year option is available only to purchasers whose resources at the time of application entitle them to a mortgage of less than the purchase price of the dwelling plus costs chargeable to the tenant<sup>2</sup>. This limitation ought to restrict purchase to a minority of tenants. However, the Institute of Housing told us that take-up of the provision was likely "on a massive scale"<sup>3</sup>, and this view was held by a number of local authorities<sup>4</sup>. This was, of course, pure speculation encouraged by the different wording of the original draft of S.16. The Committee is concerned to point out that while it will be open to intending purchasers to conceal from the local authority some of their household's sources of income in order to obtain the benefit of what would be in effect a substantial additional discount, this would be illegal under the Act. The Committee recommends that local authorities should require a statutory declaration of income when use of the two-year option is claimed.

142. The Committee also accepts the argument put forward by CIPFA<sup>5</sup> that the £100 payment in consideration of the two-year option to purchase should not be returnable. This appears fair in view of the value of the option if used and the work involved for the local authority, but would require an amendment to the Act.

143. In addition to the discount under S.7, and the two-year option, two other financial concessions to tenant purchasers have been incorporated in the Act or provided by orders or determinations by the Secretary of State under the Act. These are the price freeze from 8 August 1980 to 3 April 1981 (S.3(5)), and the limitation under the Housing (Right to Buy) (Mortgage Costs) Order 1980 to

<sup>1</sup> For example, a 40 per cent discount on a house valued at £14,000 would cause the purchase price to be £8,400. If house price inflation was 10 per cent per annum, the value of the house at the time of purchase could be £16,940. The resulting discount would therefore be £8,540. The value of this discount (at the original price level) is £7,058, giving an additional discount under the two-year option of £1,458 or 10.4 per cent of the original value.

<sup>2</sup> Under the Housing (Right to Buy) (Mortgage Costs) Order 1980 costs chargeable to the purchaser are limited to £50.

<sup>3</sup> Evidence not printed.

<sup>4</sup> 17 local authorities responded in this way including: Stockport, Teesdale, Bassetlaw, Cleethorpes, Manchester, Camden (evidence not printed).

£50 of the costs which may be charged to a tenant purchaser in connection with the right to a mortgage. In addition, there was a proposal by Mr Marcus Fox, then Parliamentary Under-Secretary of State, on 31 May 1979, to limit water authorities charges for separate connection of water supplies, on sale, where necessary, to £50, although the average cost is thought to be over £300. The Committee welcomes the subsequent statement that "The Department accepts that the proposed £50 limit on charges for separate connections to sold council houses where there is an operational necessity cannot be justified in principle. It is indeed too low . . . Moreover, it does discriminate unfairly against others who are liable to pay the full costs"<sup>1</sup>.

144. The Committee suggests that the Secretary of State should avoid making any further financial concessions to tenant purchasers under powers delegated to him by the Housing Act, at least until, at an appropriate time, he has reviewed the concessions already made.

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<sup>1</sup> Department of the Environment Consultation Paper "Sale of Council Houses—Separate Water Service Pipes", July 1980 para 14.

## CHAPTER 14

## Effect Upon the Economy

## Effects on the Local Economy

145. While most local authorities did not expect that council house sales would have any major effects on the economy of their areas, there were some important exceptions. There appear to the Committee to be three distinct theses underlying the various claims which have been made. The first is that, in general, mobility is easier in one tenure than the other, and that a transfer of dwellings to the tenure in which mobility is easier must result in an increase in actual or potential mobility for the householders concerned, which will aid the adjustment of workers to changes in the location of jobs. The second is that in areas where there is acute competition for homes between lower-paid local workers and others (including commuters, and those seeking second or retirement homes), council house sales will worsen the housing prospects of local workers and hence potentially create local labour shortages. The third is that in areas where local authority housing forms a high proportion of the housing stock, certain groups such as skilled workers who have a desire to be owner occupiers, may be induced to leave or not to enter the area, so that sales, by enlarging the opportunities for owner-occupation may relieve or prevent shortages of higher paid labour.

## Labour Mobility

146. Most witnesses thought that mobility is greater among owner occupiers than among council tenants<sup>1</sup>. Shelter told us that this was "undoubtedly true" but quoted research showing that mobility was lower for council tenants only in respect of long-distance moves, ie those between local authorities<sup>2</sup>. This, they argued, underlines the importance of improved arrangements for council tenants to move between local authority areas. The Committee accepts that, for the households concerned, a change of tenure from renting from a local authority to owner occupation will probably, under present arrangements, result in an increase in potential mobility, although it was pointed out that owner occupation has its own rigidities<sup>3</sup>. It does not appear to follow, however, that the economic effects of facilitating transfer from local authority renting to owner occupation must necessarily be beneficial, if the mobility of other types of labour is reduced. The Housing Centre Trust argued, "the effect on mobility should be to increase it for those who can afford to buy and to decrease it . . . for those who cannot afford to buy"<sup>4</sup>. Accordingly the Committee welcomes the National Mobility Scheme introduced on 1 April 1981, which is intended to provide, for those remaining in the public sector, enhanced opportunities of moving to a different area for employment or social reasons<sup>4</sup>.

147. The Committee has considered the provision of the general consent issued on 3 September 1980, by which local authorities were authorised to sell vacant dwellings at a discount of up to 30 per cent, to anyone with a firm offer of regular

<sup>1</sup> For example, HC 535-xi page 324. The Housing Centre Trust, Shelter, Institute of Cost and Management Accountants, National Consumer Council, The Royal Institution of Chartered Surveyors (evidence not printed).

<sup>2</sup> Evidence not printed.

<sup>3</sup> John Laing Ltd. (evidence not printed).

<sup>4</sup> DOE Press Notice 140, 31 March 1981.

employment in the area of the local authority where the dwelling is situated or in the area of any neighbouring authority. Given the general pressure on local authority lettings discussed already, it is evident that in all but a few areas local authorities would find great difficulty in making available any substantial number of homes in this way except at serious cost to other housing objectives. The Committee also considers that granting such large discounts<sup>1</sup> is quite unjustifiable in the context of the relatively small sums available under the programmes to encourage employment mobility for which the Department of Employment is responsible. The general consent may simply benefit households who would have moved anyway; and it raises issues of equity as between incoming households and those already working in the area concerned, and as between beneficiaries of the General Consent and those using the Department of Employment's schemes. **The Committee suggests that the Secretary of State should review this general consent in discussion with the Department of Employment.**

### **Housing Prospects for Local Workers and Key Workers**

148. The second thesis mentioned above was that in areas of acute competition for housing between local workers and others, council house sales will create potential shortages of lower paid labour. Whether such shortages become actual or not must depend upon the balance of supply and demand for lower paid workers, and the balance of supply and demand for council housing, in the area concerned. But Chapter 8 above has given every reason to believe that this is at least a potential problem in rural areas, urban peripheral areas, and perhaps in certain other areas. It appears to be the reason why for example a group of authorities<sup>2</sup> referred in written evidence to labour supply constraints generally or shortages of skilled and semi-skilled workers. Council house sales could not relieve this problem unless resale prices for former council houses were substantially lower than those generally applying. It seems unlikely that this will be the case, since the evidence on resale prices from these same authorities generally indicates that former council dwellings do not form a low priced stock. The Standing Conference of Rural Community Councils<sup>3</sup> referred to "the important part that rented housing plays in providing and ensuring that accommodation is available for mobile workers". Slough cited a survey by the local Chamber of Commerce showing that employers believe there to be a significant problem of recruitment to the area of skilled and semi-skilled workers because of the lack of rented accommodation and the high cost of owner occupation<sup>4</sup>.

149. Some authorities in this position emphasised the importance of schemes for housing "key workers", and the need for an adequate supply of council lettings for this purpose<sup>4</sup>. **The Committee recommends that any discontinuance of key worker**

<sup>1</sup> A 30 per cent discount is on average estimated to be equal to £4,200 in 1980/81.

<sup>2</sup> Slough, Basildon Development Corporation, East Hampshire, Hounslow, Medina, Camden East Cambridge, Welton, Nottingham, Guildford, North Shropshire (evidence not printed) and South Lakeland (HC 535-iii pages 69 and 71).

<sup>3</sup> Evidence not printed.

<sup>4</sup> Ten local authorities. Guildford for instance, told us, "There are currently significant vacancies in the Borough for key workers who, due to the high cost of housing to purchase are forced to look to the Council for lower cost rented accommodation. The sale of Council housing will reduce the stock of publicly rented accommodation and thereby in due course reduce the number of relets available to house these key workers." North Norfolk, who considered that the sale of council houses could marginally increase mobility of labour, commented: "It is generally found, however, that key workers coming from other parts of the country who may well be training local people prefer to rent accommodation in the short term until they can look at the house purchase market and make their own choice accordingly." (Evidence not printed).



schemes should be monitored by the Department to discover the extent to which the policy of sales is responsible.

150. Rehousing of agricultural workers under the Rent (Agriculture) Act 1975 is of obvious importance in rural areas. In general, local authorities found demand from this source to be small<sup>1</sup>, but South Herefordshire<sup>2</sup> reported that supply was only sufficient to deal with homelessness and agricultural tenancies, and Bassetlaw<sup>3</sup> felt that in small villages sales might affect the council's ability to meet its statutory responsibilities under the Act.

### Owner Occupation and Skilled Workers

151. The third thesis mentioned was that in areas where local authority housing is a high proportion of the stock, groups who desire to be owner occupiers may be encouraged to enter or remain if opportunities for owner occupation are widened as a result of council house sales. Skelmersdale is an area of high unemployment, with a high proportion of rented housing, low house prices, but has some shortage of skilled labour. The Development Corporation considered that, "all measures which contribute to a proportion of owner occupation nearer to the national average will increase the New Town's attractiveness to private investment thereby improving employment prospects and the prosperity of the local economy", and that, "it is possible that the sales scheme both directly and indirectly as sold houses come on to the market for re-sale, will assist employers in recruiting skilled labour, which is in short supply locally and regionally"<sup>4</sup>. On the other hand, Liverpool argued: "It is highly unlikely that any realistic or tangible arguments can be made which support the sale of council houses as a means of improving the prosperity of the local economy. The scale of job loss in the City and the accompanying rise in unemployment has led to a situation where according to the Manpower Services Commission there are no significant skill shortages or labour supply problems"<sup>5</sup>.

152. All three London authorities giving oral evidence felt that council house sales could benefit the local economy. In written evidence, Southwark stated that if sales of better quality dwellings were in sufficient quantity to increase the diversification of tenure, this would encourage and retain professional and skilled people and that it was possible that industry would be less likely to move out as a result<sup>6</sup>; but this was to some extent contradicted in oral evidence by the survey carried out in 1975 of movers out of Southwark, of whom 33 per cent would not have bought in Southwark even if they could and only 10 per cent said that they did not wish to continue renting. This evidence suggests that a desire for owner occupation was the cause of some outmigration, but only of a relatively small part of the total outmigration, even of those who moved for housing reasons.

153. Wandsworth argued that the sale of council houses "could . . . in the long term . . . provide an additional source of lower priced properties for sale to persons wishing to take up employment in the area from other parts of the country"<sup>7</sup>. A problem of skilled labour shortages had been observed<sup>8</sup> which was said to be

<sup>1</sup> South Lakeland (HC 535-iii Q 206 and Q 207); Allerdale (HC 535-iii Q 300).

<sup>2</sup> Evidence not printed.

<sup>3</sup> HC 535-i page 15 Qu(xiii).

<sup>4</sup> HC 535-ii page 37 Q(xiii).

<sup>5</sup> HC 535-ii Q 83.

exacerbated by the local authorities' obligations under the Housing (Homeless Persons) Act<sup>1</sup> and a lack of private housebuilding<sup>2</sup>. The Committee was told that a fall in GLC nominations is also to blame for the lack of housing resources<sup>3</sup>. This evidence was challenged by the Catholic Housing Aid Society<sup>4</sup>. On the other hand, the GLC associated a domination of public housing with economic decline and poverty<sup>5</sup>.

154. The Committee noted the argument that in certain areas of London the very high proportion of council housing may, by causing better paid workers to live elsewhere, have had adverse effects on the local economy. However, it appears impossible, given the distribution of sales by area discussed in Chapter 8 above, to regard the great part of the GLC's sales programme, or the Right to Buy, as making any real contribution to relieving such effects. The "homesteading" programme appears to play a different role: 412 out of the 588 sales (70 per cent) up to March 1980 were in inner Boroughs<sup>6</sup>. The Committee considers that there is some potential for the sale of exceptionally unpopular property in very poor condition. The Department of the Environment commented on "the substantial demand . . . for homesteading schemes that the GLC offer"<sup>7</sup> and Mr Bernard Kilroy told us that "there was a policy that had quite a lot to recommend it, if the worst houses were sold, or indeed, rather the worst flats were sold"<sup>8</sup>. Although it is too early to attempt a full evaluation of the policy, the Committee believes that homesteading appears to have the potential to make an important contribution to owner occupation.

155. In the light of the evidence the Committee considers that a case can be made in support of each of the three theses on the effect of council house sales on the local economy, which were summarised in paragraph 145 above. However, the first thesis on mobility cannot be said to be established, and in any case other measures to promote mobility in the public sector could, for a very small expenditure of public funds by comparison with the long term costs of council house sales achieve dramatically more effective results. The thesis that the Right to Buy could damage the economy of certain areas with little council housing, where housing pressure is acute, seems firmly established. On the third thesis, although the Committee accepts that there may be some areas, with a high proportion of council housing, where sales could be economically advantageous, in diversifying the tenure pattern, and hence the socio-economic structure of the area, whether any benefits will accrue in a particular area depends very strongly on local circumstances. The Committee does not consider that council house sales will in most areas have any significant beneficial effects on labour mobility or the local economy. It considers that it is essential that key worker and mobility schemes are developed and that resources are retained or provided to facilitate this. It also considers that it is important that central and local government seek to link housing and employment policies in a coherent manner and urges the Department of the Environment, the Department of Employment, local authorities and the Manpower Services Commission to review the situation.

<sup>1</sup> HC 535-ii page 37 QB(ii) (d) Q 107 and Q 108.

<sup>2</sup> HC 535-ii Q 114 and Q 115.

<sup>3</sup> See Chapter 8 para 85 and HC 535-ii page 37 QB(ii) and QB(iii).

<sup>4</sup> HC 535-vii Q 678 and page 212.

<sup>5</sup> HC 535-x page 283 QuA(xiii), Q 881-Q 883, Q 888 and Q 889-Q 891.

<sup>6</sup> GLC Further Written Evidence, 1 August 1980, Qu 1, Appendices to Minutes of Evidence Volume II, page 384.

<sup>7</sup> HC 535-xi Q 989.

<sup>8</sup> HC 535-v Q 494.

### Wider Economic Effects

156. Some wider economic and financial effects of council house sales have been considered already. For example, in Chapter 7 we have examined the changes in the pattern of expenditure resulting from capital receipts by local authorities and in Chapter 9 the additional demand for house purchase finance resulting from the resale of council homes bought by sitting tenants. We have not so considered the effects of a leakage of funds into private consumption when the value of these houses is realised by tenant purchasers or their heirs.

157. The Building Societies Association told us that the Stow Report estimated that the total finance accruing annually as a result of resales of all owner-occupied dwellings, to "last-time sellers", who do not wish to use it to buy another house, is "probably of the order of £4,500 million", of which "about a third, about £1½ billion, is currently reinvested in building societies"<sup>1</sup>. Mr Bernard Kilroy also drew attention to such leakages<sup>2</sup>, and the Department of the Environment told us, "Any chain of sales will eventually involve a 'last-time seller' who does not wish to use the proceeds of sale to buy another house. There can be no certainty that the final destination of funds in such cases would be the same whatever the size of the market in owner occupied dwellings."<sup>3</sup> Our Adviser's Memorandum No 7 estimated the size of the annual leakage into consumption resulting from sales of 100,000 council dwellings per year at between £596 million and £675 million per year at 1980 prices, by 1994. The Committee was also interested to hear of research in the United States showing an increase in recent years in the estimated extent of leakage into consumption of funds raised on the equity of owner occupied homes<sup>4</sup>.

158. It is this leakage into consumption which is the cause of the concern of some witnesses that the system of finance for owner-occupation is the cause of a diversion of resources away from investment. The Royal Town Planning Institute for instance, wrote "Owner-occupation is, in itself, a vast consumer of investment resources and any significant acceleration of the trend to owner-occupation inevitably diverts more money into unproductive investment and away from other sectors where it is needed."<sup>5</sup> The Committee is not in a position to investigate the implications of such effects at the present time.

<sup>1</sup> HC 535-vi Q 618.

<sup>2</sup> HC 535-v page 130 para 26.

<sup>3</sup> HC 535-xi page 325 Q 26.

<sup>4</sup> Memorandum No. 7, (Appendices to Minutes of Evidence, Volume III. Pages 57-79).

<sup>5</sup> Evidence not printed.

## CHAPTER 15

## Conclusions

159. The Committee has received written and oral evidence from a selected sample of local authorities, construction companies, credit institutions, pressure groups, professional bodies, academics and volunteers; and the consideration of eight memoranda prepared by its Specialist Advisers. The policy of council house sales has implications for the community at large which will only become apparent with the passage of time (paragraphs 1-8).

160. The evidence both from local authorities and the Department of the Environment showed that very little research had been done into these wider effects, nor had adequate estimates been prepared of the probable consequences of the policies involved in the Housing Act 1980. One example of this was the claim by the Department of the Environment that sales would not result in any significant loss of relets for about 35 years (paragraphs 12-13).

## Impact upon Local Authority Housing

161. Although there are many unpredictable variables likely to affect the estimate, the Committee considers that sales of council dwellings in the period 1981/82 to 1983/84 are likely to be in the region of 100,000 per annum. Over 10 years, sales at such a rate would reduce the stock of council houses (as distinct from flats or dwellings for the elderly) by nearly one-third. The social effects of such a change require careful monitoring (paragraphs 17-27). Some local authorities may be underestimating the likely extent of sales, and consequently their social effects.

162. Correspondence with the Department of the Environment has demonstrated to the Committee that the Department cannot sustain its original assertion that the loss of relets (lettings of council property after their former tenants have moved or died) will be "minimal". On the figures now supplied by the Department, the best estimate for the loss of relets calculated in the manner proposed by the Department is some 2.6 per cent per annum of dwellings sold: this will gradually rise towards 3.7 per cent. (paragraphs 28-36). The figures given in the "Appraisal of the Financial Effects of Council House Sales" published by the Department of the Environment were incorrect. The loss over thirty years will be some 78,000 for every 100,000 dwellings sold: and over the first ten years about 26,000. The effect on the numbers of new lettings and transfers will be substantial (paragraphs 28-37). The Secretary of State repeated in his reply to the Committee's First Report, the view, expressed in the Financial Appraisal, that "the need to replace a Council house that has been sold will not arise for many years"<sup>1</sup>. It is not clear to the Committee on what grounds he continues to believe this, having regard to the contents of the correspondence between the Department and the Committee. To a degree, therefore, the Government's assessment of the effects of Council house sales on the local authority housing service has been based on a false premise.

<sup>1</sup> Cmnd. 8105, para 29.

The extent of the loss of relets is a reason, additional to those set out in the Committee's First Report, for reconsideration of the reduction in Public Expenditure on Housing proposed in the Public Expenditure White Papers of 1980 and 1981 (paragraph 39). Most sales of vacant properties appear to be to present local authority tenants or to families high on the waiting list, and in these cases the loss of relets will be no greater than with sales to sitting tenants. However, it should be remembered that vacant properties are not benefiting anyone. Selling them is preferable to leaving them empty (paragraphs 40-42).

163. While the evidence was not entirely conclusive, it seems likely that sales will be disproportionately of houses rather than flats: and that the houses sold will tend to be the better quality houses in more attractive areas, or areas with an already high proportion of owner-occupation. Thus the chances for those who remain in the rented public sector of being able to move from a flat in a tower block to a house will be reduced (paragraphs 43-52).

164. Evidence to the Committee and published statistics reveal a recent rising trend in homelessness. The Committee noted, however, that few local authorities sought to determine the degree of real need of those on their waiting lists. These lists are not *per se* a good indicator of real housing need. The Committee's First Report projected a sharp decline in both new housing starts and improvements and renovation by local authorities. Most local authorities suggested that selling Council houses, because of the loss of relets, will exacerbate these problems. Although 50 per cent of the capital receipts from sales can be applied by the local authority to such purpose as it wishes, including new housing investment, (and the full amount is available to the overall housing programme), immediate capital receipts will in practice only arise where the whole or part of the purchase price is provided from the purchaser's own resources, or a private mortgage (as distinct from a local authority mortgage). Such immediate receipts are likely to amount to between one-quarter and one-third of selling prices: with an average 40 per cent discount, the amounts immediately available to individual local authorities to invest will be between 7½ per cent and 10 per cent of selling prices, although further capital receipts will accrue in subsequent years as mortgages are paid off.<sup>1</sup> The immediate influence of this factor will consequently be small, but is sufficient in the short term to constitute an incentive towards sales, as the number of relets lost over three or four years will be less than the number of replacement dwellings which could be funded through capital receipts. As, however, the scope for selling council houses will vary widely from area to area, depending particularly on the proportion of flats in the housing stock, the allocation of housing investment by reference to the level of sales achieved, rather than on the admittedly difficult and complex assessments of housing need, requires to be closely monitored (paragraphs 53-64); so also should the extent to which the risk of future compulsory sales may act as a disincentive to local authorities from building or improving properties in future (paragraph 66). The Committee welcomed the Department's assurance that no account will be taken of expected sale receipts when block capital allocations are made (paragraph 59). While it is probable that overall investment resources available to local authorities will be unlikely to be such as to enable them

<sup>1</sup> A Parliamentary Answer on 10 June 1981, showed that the average amount by which an authority would immediately increase its capital allocation on account of each council house sale is £1,755, representing 9.9 per cent of the assumed average valuation before discount—Official Report Col. 155, 10 June 1981.

to replace the lost relets, the Committee is not persuaded that all council dwellings sold need necessarily to be replaced.

165. Although dwellings designed or specially adapted for the elderly are exempted from the Right to Buy, the Committee is concerned in case many other non-specialist properties normally only let to the elderly (eg small ground-floor flats) are sold, with consequent serious damage to the housing prospects of some of the next generation of elderly. The situation should be monitored, and the present exemption extended if necessary (paragraphs 69-73). The Committee felt that there was a potential problem of reduced housing opportunity for other groups (single people, large families, disabled persons, homeless families and ethnic minorities) and that this required closer examination and monitoring. (Paragraphs 74-75.) The Committee was deeply impressed by the evidence of the potentially harmful effects of extensive sales in rural areas, particularly areas of outstanding natural beauty, national parks and urban peripheral areas. The safeguards contained in the Housing Act and the "Designated Regions" Order were not considered by those who gave evidence on this issue to be adequate. The Committee considers that the Department should report regularly on local authorities' claims for rural designation and on the reasons for rejecting any of these in whole or in part. The Committee further considers that the operation and effects of the Right to Buy on rural areas should be monitored in conjunction with local authorities (paragraphs 76-84). The probable concentration of sales in outer urban areas seems likely to exacerbate the difficulty of relieving housing stress in inner urban areas through outward migration (paragraph 85). Many local authorities referred to the impact of the Right to Buy upon their structure or local plans. The Department's denial of such an impact was not borne out by the evidence. The Committee recommends that the Department should review the implications of Council House sales for planning and development control policies (paragraph 87).

### **Impact upon Private Housing**

166. The Committee concluded that the immediate impact of council house sales on the cost and availability of mortgage finance for the private house market would be small, because the proportion of sales financed privately would probably be small: but if this assumption were wrong, a direct and significant effect on mortgage costs would occur. The Committee was disappointed that the Department appeared reluctant to discuss this issue. It is likely to become of greater importance when the houses now being sold with local authority mortgages come to be resold, mainly with private mortgages, in the future (paragraphs 88-93). The Committee does not consider that the sale of council houses will significantly affect the market for new private houses in the short term. For the reasons set out in Memorandum No 7 and paragraph 97, some destabilising effect on the housing market generally, making it more prone to inflationary surges, may be felt in the medium term (paragraphs 94-97).

### **Effect on Public Finance**

167. For the reasons set out in Chapter 10 and Adviser's Memorandum No 4, the Committee considers that some of the assumptions on which the Department's "Appraisal of the Financial Effects of Council House Sales" was based were

unrealistic and that the Appraisal may give an unduly favourable view of the financial effects of Council house sales. On the other hand, the Committee noted the Department's view that the Appraisal was not presented as the Department's judgment as to the probability of the assumptions being correct. In oral evidence to the Committee, DOE officials said: "In fact we did not present the Appraisal making judgments ourselves as to the probability of the assumptions. We specifically said that the ranges were not given to show the bands within which the answer must necessarily lie, but only to give an indication of the sensitivity of the calculations to alternative assumptions." (Paragraph 101). Nevertheless, the Secretary of State in the DOE Press Release accompanying the Appraisal said: "The Appraisal which we have published today represents a most rigorous, sophisticated and comprehensive attempt to assess the financial effects of the sale of council houses. . . . To maintain objectivity a very wide range of alternative assumptions has been used." (Paragraph 100.) The Committee accepted many of the Comptroller and Auditor General's criticisms of the Department's assumptions; for instance, in his view that the lowest assumptions on the rate of increase of rents was clearly less probable than the highest assumption, that the highest of the Department's assumptions on the savings in upkeep and management expenditures should not have been included, that the public sector cost of private improvements should be included and that allowance should be made for the future effect of the new State pension scheme. The Committee also accepts the view put to it by CIPFA that among the alternatives which the Appraisal should have considered was an increase of rents in relation to earnings. Whilst recognising the publication of the Department's Appraisal as a useful development of the debate on the financial effect of council house sales, the Committee regrets that as the only long-term Financial Appraisal available to the House prior to the passing of the Act, it should have been shown in these and several other ways to contain so many defects. Our Adviser, applying the same analytical techniques as those used in the Department's Appraisal, but with some alteration to the assumptions, concluded that, whilst the financial effect remained favourable in the short term, the 20-year appraisal contained both losses and gains and over a 50-year period every variant, under the assumptions used, showed a loss. The Committee accepts that the validity of assumptions relating to projections of more than 20 years ahead becomes increasingly speculative. The Committee considers that, since these findings differ so radically from those of the Department, a thorough and comprehensive reply from the Department on this issue is of paramount importance. Meanwhile, the Committee concludes that the extreme sensitivity of the results over a very long-term period to relatively small changes in assumptions makes a definitive conclusion about the long-term financial effects of sales upon the public sector impossible (paragraphs 98-114). The Committee considers that the effects of the subsidy arrangements under Part VI of the Housing Act 1980, will require careful monitoring to discover whether capital resources are being channelled away from areas that need them most. In the meantime, the Committee welcomes the ending of the anomaly whereby capital investment financed from capital receipts has been inadmissible for housing subsidy (paragraph 114).

### **Equity between Individuals**

168. There are substantial advantages to tenant purchasers, both financial and

non-financial. These include the meeting of their tenure preference, greater freedom, mobility and security and the opportunity to acquire an asset likely to appreciate in value at a discount and a right to a mortgage for the purpose. The discount will provide the average purchaser with an immediate equity in the property of £5,600, fully realisable after five years on the security of which further borrowing will be possible. Disadvantages were said to consist principally of higher immediate outgoings in most cases, not only for the mortgage payments, but for maintenance and insurance etc, and service charges in the case of flats: entitlement to rent-rebates will be lost and a fall in income could result in foreclosure and homelessness.

169. The Committee is concerned that the statutory right to a 25-year mortgage of 2.5 times annual income for a purchaser just under 60 may result in purchasers over-committing themselves: and that there is a risk of fringe financial institutions exploiting purchasers who have done so. The Committee recommends that the working of the statutory right to a mortgage should be closely monitored. The Secretary of State should also make it clear to local authorities that the repurchase of council houses from defaulting purchasers is permissible (paragraphs 115-125). In a minority of cases net mortgage outgoings may be less than current rents: and the Committee recommends that the powers in the Housing Act, which could be used to prevent this, be exercised (paragraphs 126-127).

170. Much concern was expressed to the Committee that the effects of sales may be financially disadvantageous for those tenants who remain in the sector, because the dwellings sold are likely to be those with the lowest management and maintenance costs. At the same time the Committee has been disturbed to hear that some local authorities may be withholding proper repair and maintenance from some tenants who have indicated a desire or intention to buy their properties (paragraphs 128-129).

171. The Committee received a considerable volume of evidence about the effects of council house sales on the redistribution of wealth, which is summarised in Memorandum 2. There can be no doubt that sales normally redistribute wealth in favour of tenants who purchase; but such tenants are likely to be better off than the majority of council tenants, although this may merely reflect the stage which they have reached in the life-cycle (paragraphs 130-134). Other more disadvantaged tenants will have little opportunity to benefit from this redistribution. Whether the redistribution of wealth effected by council house sales constitutes a move towards an equalisation of wealth holding depends on how such an equalisation is defined, and no simple answer seems possible (paragraph 135).

172. The Committee received a number of criticisms of the provision of discounts and the two-year option to purchase a house at the original valuation. However, discounts can be defended on the grounds that they will increase the volume of council house sales and will result in a greater accretion of wealth to tenant purchasers. The Committee welcomed the discounts on both counts. The Committee welcomes the fact that the Secretary of State has prescribed a maximum discount, under S.7(4) of the Act, but regrets that the principle that the discount should not reduce the sale price of a dwelling below historic cost has not been more closely followed (paragraphs 136-139).



173. Although giving false information would be illegal, because of potential abuse of the two year option provision, the Committee recommends that local authorities should require a statutory declaration of income when use of the two-year option is claimed (paragraphs 140-141) and considers that the £100 payment in consideration of the option should not be returnable (paragraph 142). The Committee suggests that the Secretary of State should avoid making any further financial concessions to tenant purchasers under powers delegated to him by the 1980 Housing Act, until he has reviewed the concessions already made (paragraphs 143-144).

### **Effect upon the Economy**

174. While most local authorities expected little effect from council house sales on the local economy, three theses emerged from the evidence about the effects (paragraph 145). First it was argued that as owner-occupiers tend to be more mobile than council house tenants, a transfer to owner-occupation would increase actual or potential mobility. The Committee accepts that there will be some beneficial effect on mobility for those who buy, but is concerned that mobility for the remainder may be reduced. The Committee welcomes the National Mobility Scheme announced on 1 April 1981 which is intended to enhance the opportunity to move for those remaining in the public sector (paragraph 146). The general consent for the sale of vacant dwellings at discounts of up to 30 per cent for those moving in order to take up employment is unlikely to contribute substantially to mobility except at serious cost to other housing objectives, and the cost of such large discounts is unjustifiable in the context of the relatively small expenditure on other mobility programmes. This general consent should be reviewed in consultation with the Department of Employment (paragraph 147). Secondly, it was suggested that in areas of acute competition for houses between lower-paid workers and others, council house sales will worsen the housing prospects of local workers, creating local labour shortages particularly in lower paid occupations. This is a potential problem both in rural and urban periphery areas. The Committee recommends that any discontinuance of Key Worker Schemes or difficulties in operating the provisions of the Rent (Agriculture) Act 1975, should be monitored by the Department to discover the extent to which the policy of sales is responsible (paragraphs 148-150). Thirdly, it was suggested that in areas where local authority housing forms a high proportion of the housing stock, professional and skilled workers who wish to be owner occupiers, are liable to move out, and industry consequently to do the same. It was argued that as sales of council houses enlarge the opportunities for owner-occupation, the policy might relieve shortages of higher paid labour. The Committee considers that such benefits would not be significant. On the other hand the Committee believes that homesteading appears to have the potential to make a contribution to owner-occupation (paragraphs 151-154).

175. In general, while the Committee accepts that some case can be made for each of the three theses that council house sales will benefit the local economy, it considers that in most areas the beneficial effects will be slight, and in some areas the effects will be damaging. The beneficial effects could, for the most part, be achieved by other means at a much smaller cost to public funds, by comparison with the long term costs of council house sales.

176. The Committee's attention was drawn to the effects of a leakage of funds into private consumption when the value of council houses is realised by tenant

purchasers or their heirs, and concern was raised by some witnesses that the system of finance for owner-occupation diverts resources away from investment. The Committee is not in a position to investigate the implications of such effects at the present time (paragraphs 156-158).

### The Need for Monitoring

177. Already in this Chapter the Committee has highlighted matters of concern which need to be monitored. Witnesses, such as the Institute of Housing, have made the same point<sup>1</sup>. Accordingly the Committee asked the Department about its plans for monitoring sales. We were told that the only additional information which it is proposed to collect is the division of sales between the categories "improved for sale", "for improvement by purchaser", and "to sitting tenants"<sup>2</sup>. These additions are valuable, but do not constitute an extension of information commensurate with the importance of the policy change being made and its potential effects. The Department's monitoring will continue to be dominated by financial data concerned with capital receipts, total selling price and discounts allowed. Information would also be available on full and shared ownership and the division of sales between houses and flats.

178. In addition to the points reported to the Committee by the Department<sup>3</sup>, the Committee has set out a number of issues on which it considers that information should be regularly collected and published. These issues are summarised in Annex I (short-term) and Annex II (long-term). **The Committee recommends that the Department should commission research on these issues without delay.**

<sup>1</sup> The Institute of Housing referred to "the need to monitor carefully the sales process in order that the difficulties and problems of individual housing authorities may be assessed and resolved on the basis of expert advice derived from collective experience. It would be no exaggeration to say that in the absence of such supervision, there is a most serious risk of utter disorder, waste of resources and tenant dissatisfaction". (Evidence not printed).

<sup>2</sup> DOE: Further Written Evidence, 19 August 1980, Appendices to Minutes of Evidence Volume II, page 396.

<sup>3</sup> The evidence received by the Committee indicated that this would not provide sufficient information for policy discussion or review. It has subsequently come to the notice of the Committee, from a perusal of the Secretary of State's publication of MINIS (Department of the Environment (Central) Management Information System for Ministers (MINIS), Directorates' Statements, Part 9: Legal, Information, Economics and Statistics, DS/page 7, 2(2) Unit Performance, Ref.A6.1), that the Department had prepared proposals to "collect detailed socio-economic information from a sample survey" and that "consideration (has also been) given to monitoring resales of former council houses at some time in the future". The same document indicated that this work would be started, subject to Ministerial approval, during the period April-September, 1980.

## ANNEX I

**Issues on which information should be regularly collected and published by the Department****I For those purchasers taking out local authority mortgages under S.1(1) of the Housing Act:**

*the age of the head of household*—it has clearly emerged that this is a major determinant of the loss of relets resulting from sales, and the possibility of a fall in the average age of purchasers has frequently been mentioned. The earliest possible warning of any such fall is essential.

*the term of the mortgage*—this has effects on the financial consequences of sales.

*the total income taken into account and the income of the head of household*—it is important to know which income groups are benefitting from the Right to Buy.

*mortgage default*

*sex of the head of household*

These are all items which are already collected in the Department's 20 per cent survey of local authority mortgages, and their collection for purchasers of council dwellings ought not to present difficulties.

**II For all sales:**

*the age of the dwelling*

*the dwelling type*—including storey height for flats

*the dwelling size*

These items are simple to collect; they are vital to any assessment of the effects of sales on the composition of the local authority dwelling stock.

**III *the number of two-year options purchased***

*whether sales follow the purchase of a two-year option, and by how long*

*level of service charges in flats sold on leases*

These items would be simple to collect, and constitute the basic minimum of information needed to evaluate the aspects of policy to which they relate.

## ANNEX II

**Issues on which research should be commissioned by the Department**

- I The effects of sales on the adequacy of the local authority housing service in different types of area, including in particular inner city, rural and urban peripheral areas. Issues needing particular attention are the loss of relets and the relative quality of the stock sold.
- II The effects of sales on the adequacy of the local authority housing service for particular groups, including in particular the elderly and ethnic minorities.
- III The extent of savings in management and maintenance costs due to sales. On this issue the information available either to local or central government is thoroughly inadequate.
- IV The effects of sales on the distribution of income and wealth.
- V The effects of sales on the local economy in different types of area. The Committee has been able to reach certain conclusions on this issue, but it is apparent that research and policy discussion are at a very early stage.

## PROCEEDINGS OF THE COMMITTEE

TUESDAY 2 JUNE 1981

## Members present:

Mr Bruce Douglas-Mann, in the Chair

Mr Frank Dobson

Mr Reginald Freeson

Mr Geoffrey Johnson Smith

Dr Brian Mawhinney

Mr Norman Miscampbell

Mr Nicholas Scott

Mr Robin Squire

Mr Malcolm Thornton

Mr David Winnick

Draft Report on the Financial and Social Implications of the Sale of Council Houses, proposed by the Chairman, brought up and read.

*Ordered*, That the Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 8 read and agreed to.

Paragraph 9 read, as follows:

"9. Council houses have been sold in the post-war period in England and Wales since 1951, with the highest figure prior to 1980 being 61,981 sales in 1972 and a new peak of 87,301 (provisional) in 1980. Although a majority of the local authorities consulted were sellers and most of the non-sellers had sold dwellings at some stage in the past, few authorities were able to provide detailed evidence or to provide a systematic picture of the effects of sales. Some of the answers provided did not appear to be based on any evidence, and it was frequently not apparent where responses were more than statements of opinion. In taking oral evidence the Committee asked witnesses about the absence of information on the effects of sales. Leeds City Council, for example, said that when they embarked on the policy of selling houses, no valuations of council houses had been carried out and financial effects were not the prime consideration. After five years' experience of selling houses there was no information available about the savings per dwelling on management and maintenance costs.

Although some useful facts and statistics were provided, the vast majority of firm answers and conclusions given by local authorities were predominantly based upon subjective, anecdotal and ultimately political judgments rather than upon hard statistical evidence from well-controlled research. The Committee consequently could not rely on some of the evidence to the degree it would have wished. As a result the Committee has been unable to reach firm conclusions on some of the issues. In some cases, where predictions of the effects of the Act are involved, conclusions have unavoidably been speculative to some degree. But the Committee is confident that where it has reached firm conclusions, they are well founded."

Amendment proposed, in line 9, after the word "opinion" to insert the words:

"As a consequence when the word 'evidence' appears in this Report it should be treated with some caution."—(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 5

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

NOES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

Another Amendment proposed, to leave out from the end of line 16 to the end of the paragraph—(*Mr David Winnick.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 1

Mr David Winnick

NOES, 7

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

Another Amendment proposed, in line 24, after the word "degree." to insert the words:

"This is in part because the country has had no experience of a programme of council house sales comparable to the present programme."—(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 5

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

NOES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

Question put, That the paragraph, as amended, stand part of the Report.

The Committee divided.

AYES, 6

Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

NOES, 2

Mr Frank Dobson  
Mr David Winnick

Paragraph, as amended, agreed to.

Paragraph 10 read and agreed to.

Paragraph 11 read, as follows:

- "11. The Committee is also concerned that the Department of the Environment appears to have little research or other evidence on which it can base such as assessment or policy. While the Committee recognises the problems in making estimates and forecasts about the effect of a new policy, it also considers it desirable that central government should fully consider the impact of such policy changes. The Committee is concerned at the number of times the Department of the Environment in its written evidence to the Committee has referred to the impossibility, or the difficulty, of making estimates without providing any indication of the direction of effects, the range of possibilities, the likely influences on estimates, and the major sources of uncertainty."

Amendment proposed, in line 6 to leave out from the word "changes." to the end of the paragraph.—(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 2

Dr Brian Mawhinney  
Mr Malcolm Thornton

NOES, 6

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr Nicholas Scott  
Mr Robin Squire  
Mr David Winnick

Paragraph agreed to.

Paragraph 12 read, as follows:

- "12. An example of the poor quality of the information provided by the Department of the Environment will be found in their claim that nearly all sitting tenant purchasers would go on occupying the same house until death and that therefore about 35 years would elapse before there would be any effect on the numbers of new tenants that could be accommodated. This erroneous claim that no significant loss of relets would result from sales for many years is considered in detail in Chapter 5 below; but the Committee wishes to record at this point its

concern at the failure of the Department to carry out an adequate examination of this issue, as a result of which the consideration in the House and in Standing Committee of the social consequence of the Right to Buy was less thorough than it might have been."

Question put, That the paragraph stand part of the Report.

The Committee divided.

AYES, 6

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr. Nicholas Scott  
Mr Robin Squire  
Mr David Winnick

NOES, 2

Dr Brian Mawhinney  
Mr Malcolm Thornton

Paragraph agreed to.

Paragraph 13 read, as follows:

"13. In moving the second reading of the Housing Bill the Secretary of State outlined the objectives of the Right to Buy as follows:

'first, to give people what they want, and, secondly, to reverse the trend of ever-increasing dominance of the State over the life of the individual. There is in this country a deeply-ingrained desire for home ownership. The Government believe that this spirit should be fostered. It reflects the wishes of the people, ensures the wide spread of wealth through society, encourages a personal desire to improve and modernise one's own home, enables parents to accrue wealth for their children and stimulates the attitudes of independence and self reliance that are the bedrock of a free society.'

The Committee recognises the aims of the Secretary of State but is concerned that in both developing and implementing a policy of selling council houses there has so often been no systematic evaluation of the effects of the policy, despite the experience gained since 1951."

Amendment proposed, in line 10, to leave out from the word "society." to the end of the paragraph and add the words:

"The Committee recognises the aims of the Secretary of State. It also recognises that no systematic evaluation of the effects of the policy has been possible as no basis of comparability with any other previous policy exists."—(*Dr Brian Mawhinney.*)

Question put, That the amendment be made.

The Committee divided.

AYES, 4

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Nicholas Scott  
Mr Malcolm Thornton

NOES, 4

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Robin Squire  
Mr David Winnick

Whereupon the Chairman declared himself with the NOES.

Paragraph agreed to.



Paragraphs 14 to 22 read and agreed to.

Paragraph 23 read, as follows:

"23. Only 1,150 flats were sold in 1979/80 compared with 51,000 houses: the new opportunity to purchase flats may, however, produce an upsurge in demand in areas where flats have not been sold previously. Very few of the local authorities from which the Committee has received evidence have any experience of the sale of flats, but most expect to be faced with serious legal and management problems. Few local authorities with a stock including flats and without any previous experience of selling flats expected many sales of such properties. It is relevant to note that estimates of service charges to tenant purchasers given to the Committee ranged from £2.48 to £5.17 per week in Birmingham to £8.66 per week in Kensington and over £10 per week in Westminster. These service charges, paid on top of mortgage repayments, are likely to be a significant deterrent to potential purchasers and strengthen the view that flats will remain a relatively small proportion of total sales."

Amendment proposed, in line 12, to leave out after the word "repayments," the words "are likely to" and insert the word: "may".—(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 7

NOES, 0

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

Another Amendment proposed, at the end of the paragraph, to add the words:

"On the other hand it can be argued that service charges may depress the capital cost of flats and thus stimulate sales."—(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 7

NOES, 1

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Dr. Brian Mawhinney  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

Mr David Winnick

Paragraph, as amended, agreed to.

Paragraph 24 read and agreed to.

Paragraph 25 read, as follows:

"25. In its first report for the Session 1979/80 the Committee noted the views of its advisers that the highest level of sales in England which could be safely assumed in the period 1981/82 to 1983/84 was 100,000 a year, although the effects of a higher level of sales up to 200,000 a year were also considered. Sales on the scale envisaged by the Committee's Advisers would be bound to have a major social impact. For example, a decade of sales of 100,000 houses annually would mean the disposal of nearly one-third of the present stock of council houses (excluding flats, and dwellings built for the elderly). This could imply a major change in the nature of the local housing service, depending on the rate of replacement, and in many areas local authority housing plans and strategies would need to be fundamentally reconsidered in the light of this change. The possibility that even higher rates of sale may occur increases the need seriously and systematically to evaluate their effects."

Amendment proposed to add at the end of the paragraph the words:

"Such high sales and probably very low new local authority replacements is most likely to lead to a very serious shortage of adequate rented accommodation in many parts of the country."—(*Mr David Winnick.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

NOES, 5

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

Paragraph agreed to.

Paragraph 26 read, as follows:

"26. The Committee recommends that both the Department of the Environment and local authorities should monitor the effects of a change of this order on local housing policies and strategies."

Amendment proposed, at the end of the paragraph, to add the words:

"We also strongly recommend that there should be a compensatory programme of local authority house-building to replace the dwellings sold. In its First Report for the Session 1979/80 the Committee considered that it was unlikely that new Housing starts in the public sector in England will exceed a figure of 31,000 in 1983/84 and could be well below it in the period to 1983/84."  
—(*Mr David Winnick.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

NOES, 5

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

Paragraph agreed to.

Paragraphs 27 to 30 read and agreed to.

Paragraph 31 read, as follows:

"31. It was put to the Committee that when the number of departures is calculated, in the manner proposed by the Department, the estimated relet rate for houses sold turns out to be 3 per cent per year—close to the average figure of 3.75 per cent for the stock of council housing as a whole. This argument was examined by one of our Specialist Advisers, who concluded that the relet rate would be between 2½ per cent and 4½ per cent, depending on the age distribution of sitting tenant purchasers. This analysis was put to the Department, and the ensuing exchange of notes is also printed. The Committee considers that it was inappropriate for the Department, in the Annex to the Appraisal, to rely upon only one of the two age distributions found in published studies of council house purchasers—that shown in Mr Alan Murie's study of Birmingham carried out in 1973. It is apparent that the ages of purchasers vary between local authority areas. Of those available to the Committee, that for Birmingham gives the lowest immediate loss of relets, while that for Milton Keynes gives the highest. The Committee considers that the Department, in its Notes of 19 and 29 September, should have used both these age distributions, as well as the distribution reported by Miss Niner which was nearer the middle of the available range. For the purpose of subsequent discussions the Committee uses the Niner distribution. The two notes from the Department reveal that, on the basis of the Niner age-distribution, the annual loss of relets due to sales would be 2.3 per cent. The Department make no mention in their notes of relets due to emigration or remarriage or moves by elderly tenants to institutions other than old people's homes. The Committee accepts that the latter set of moves by elderly tenants would lead only to a very small loss of relets (perhaps 0.01 per cent) but, in the absence of an estimate from the Department, accepts its Adviser's estimate of 0.3 per cent for the relets due to emigration or remarriage. The best estimate for the loss of relets calculated in the manner proposed by the Department is then 2.6 per cent."

Amendment proposed, in line 16, to leave out after the word "Committee" to "age-distribution," in line 22 and insert the words:

"accepts that the Department was right to exclude the Milton Keynes study as a New Town study cannot be considered representative of the majority of

local authority areas. For the purpose of subsequent discussions the Committee uses the Niner distribution which was nearer the middle of the available range."—(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 4

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Robin Squire  
Mr Malcolm Thornton

NOES, 4

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Nicholas Scott  
Mr David Winnick

Whereupon the Chairman declared himself with the Noes.

Another Amendment proposed in line 21, after the word "notes" insert the words:

"(of 19 and 29 September.)"—(*Dr Brian Mawhinney.*)

Amendment, by leave, withdrawn.

Another Amendment proposed, in line 31, to leave out from the word "Department" to the end of the paragraph and add the words:

"and on the basis of the Niner age distribution is then 2.6 per cent. The estimate based on Murie's study is considerably less. The Committee accepts that the age distribution within each local authority is different. It is therefore impossible to predict with any accuracy the loss of relets."—(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 3

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Malcolm Thornton

NOES, 5

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Nicholas Scott  
Mr Robin Squire  
Mr David Winnick

Question put, That the paragraph stand part of the Report.

The Committee divided.

AYES, 5

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Nicholas Scott  
Mr Robin Squire  
Mr David Winnick

NOES, 3

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Malcolm Thornton

Paragraph agreed to.

Paragraph 32 read, as follows:

"32. It is evident that the Department's claim that its analysis showed that the loss of relets due to sales would be 'minimal . . . and not . . . 3.7 per cent' was not well founded. It appears to be true that if the ages of sitting tenants, who purchase under the Housing Act, are similar to the ages of sitting tenants purchasers hitherto, then the immediate loss of relets will be at a rather lower rate than the average relet rate for the council housing stock as a whole. But it will be less than one-third lower: instead of a loss of about 3,700 relets in the first year for every 100,000 dwellings sold, the loss will be about 2,600. There will, of course, be important variations between local authority areas in the rate of loss of relets."

Amendment proposed, in line 3, after the word "cent" to leave out the words "was not" and insert the words: "might not be".—(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 5

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

NOES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

Another Amendment proposed, in line 3, after the word "founded." to insert the words:

"At worst it might be as high as 2.6 per cent. However, it is likely to be less than this value."—(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 3

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Malcolm Thornton

NOES, 5

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Nicholas Scott  
Mr Robin Squire  
Mr David Winnick

Another Amendment proposed, in line 7, to leave out from the word "whole" to the word "There" in line 9 and insert the words:

"However, bearing in mind that the scale of this programme of selling council houses is so much greater than the scale of any previous programme and that the incentives are so much greater, the Committee believes that it is also not possible to predict an age-distribution for purchasers based on an age-distribution of previous purchasers."—(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 2

Dr Brian Mawhinney  
Mr Malcolm Thornton

NOES, 6

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr Nicholas Scott  
Mr Robin Squire  
Mr David Winnick

Question put, That the paragraph, as amended, stand part of the Report.

The Committee divided.

AYES, 6

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr Nicholas Scott  
Mr Robin Squire  
Mr David Winnick

NOES, 2

Dr Brian Mawhinney  
Mr Malcolm Thornton

Paragraph, as amended, agreed to.

Paragraph 33 read, as follows:

"33. The Committee's investigations thus summarised have shown that the Department's original claims, quoted in paragraph 50 of the financial appraisal (see paragraph 29 above), were incorrect and that the House was thus given information that was less than accurate on the effect of council house sales on relets when it passed the Housing Bill. While the Committee recognises that it is not possible with complete accuracy to estimate the effect of council house sales on relets, it is glad to note that the Department now accepts that the loss is likely to be higher than the estimates in the financial appraisal."

Amendment proposed, in line 1, to leave out all the words to the word "While" in line 5—(*Dr Brian Mawhinney*.)

Question put, That the amendment be made.

The Committee divided.

AYES, 1

Dr Brian Mawhinney

NOES, 7

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton  
Mr David Winnick

Another Amendment proposed, in line 7, to leave out from the word "it" to the word "that" and insert the word "notes"—(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

Amendment made.

Another Amendment proposed, in line 8, to leave out from the word "loss" to the word "be" and insert the word: "may".—(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

Amendment made.

Question put, That the paragraph, as amended, stand part of the Report.

The Committee divided.

AYES, 6

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr Nicholas Scott  
Mr Robin Squire  
Mr David Winnick

NOES, 2

Dr Brian Mawhinney  
Mr Malcolm Thornton

Paragraph, as amended, agreed to.

Paragraph 34 read and agreed to.

Paragraph 35 read, as follows:

"35. In its notes of 19 and 29 September, the Department, having to concede that its age-based argument does lead to a substantial figure for the estimated loss of relets, claimed that 'age is not the only influence' on the loss of relets, and that 'the calculation in terms of age is provided . . . solely to explain . . . the way in which the figures . . . were arrived at'. The Committee notes that it was the Department alone which was responsible in the first place for constructing the argument based on the age of purchasers. No other serious argument has been put forward by the Department for supposing that the rate of loss of relets would be any different from the average relet rate for the council sector as a whole."

Amendment proposed, in line 1, to leave out from the word "Department" to the word "that" in line 2 and insert the word: "agreeing".—(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 5

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

NOES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

Another Amendment proposed, in line 2, to leave out from the word "a" to the word "figure" and insert the word: "greater".—(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 5

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

NOES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

Another Amendment proposed, in line 8, to leave out from the word "purchases." to the end of the paragraph.—(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 4

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Robin Squire  
Mr Malcolm Thornton

NOES, 4

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Nicholas Scott  
Mr David Winnick

Whereupon the Chairman declared himself with the NOES.

Question put, That the paragraph, as amended, stand part of the Report.

The Committee divided.

AYES, 5

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Nicholas Scott  
Mr Robin Squire  
Mr David Winnick

NOES, 3

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Malcolm Thornton

Paragraph, as amended, agreed to.



Paragraph 36 read, as follows:

"36. The cumulative loss of relets over 30 years appears to the Committee to be likely to be at least thirty times the first-year loss. The Department shows in its note of 29 September how the first-round loss of relets would fall during the first ten years. But houses relet would themselves become liable to reletting and notwithstanding the Department's comments in paragraph 3 of its letter of 24 October the Committee sees no reason why the relet rate then occurring should differ from the sector average. It must be the case that the annual loss of relets will eventually rise to the sector average, unless the dwellings sold have features which give rise to a systematic tendency for local authorities to let them to tenants with a departure rate different from that for tenants as a whole. The Committee has no reason to think that this would be so. The Committee agrees with the Department that only the first-round loss of relets is relevant to the assessment of replacement requirements, but is concerned to estimate the loss of relets which would occur in the absence of replacement."

Amendment proposed, in line 1, before the word "The", insert the words:

"It could be argued that".—(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 2

Dr Brian Mawhinney  
Mr Malcolm Thornton

NOES, 6

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr Nicholas Scott  
Mr Robin Squire  
Mr David Winnick

Another Amendment proposed, in line 3, after the word "loss" insert the words:

"On the other hand".—(*Dr Brian Mawhinney.*)

Amendment, by leave, withdrawn.

Another Amendment proposed, in line 6, to leave out from the word "Committee" to the word "the" in line 7 and insert the words:

"remains to be convinced that".—(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 5

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

NOES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

Another Amendment proposed, in line 12, to leave out from the word "has" to the word "The" in line 13 and insert the words:

"already indicated that such a systematic tendency may prevail".—(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 1

Dr Brian Mawhinney

NOES, 7

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton  
Mr David Winnick

Another Amendment proposed, in line 15, to leave out from the word "requirements" to the end of the paragraph.—(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 2

Dr Brian Mawhinney  
Mr Malcolm Thornton

NOES, 6

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr Nicholas Scott  
Mr Robin Squire  
Mr David Winnick

Paragraph, as amended, agreed to.

Paragraph 37 read, as follows:

"37. This loss over thirty years would be at least 78,000 relets for every 100,000 dwellings sold. Over the first ten years the loss would be 26,000. These figures are very different from those implied by the Department's statements. They show that the effect of council house sales on the numbers of new lettings and transfers available in the local authority sector will over a period be substantial."

Question put, That the paragraph stand part of the Report.

The Committee divided.

AYES, 6

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr Nicholas Scott  
Mr Robin Squire  
Mr David Winnick

NOES, 2

Dr Brian Mawhinney  
Mr Malcolm Thornton

Paragraph agreed to.

Paragraph 38 read, as follows:

"38. The Committee is particularly concerned about the loss of relets over the next four years. If sales take place at the rate of 100,000 per year, then the annual loss of relets due to sales under the Housing Act will be over 9,000 by the end of 1983/84. If the rate of Sales were to be 200,000 per year, then the annual loss would be over 18,000. These figures are large in relation to the likely level of local authority completions in 1983/84 of 26,000-30,000 (with 100,000 sales per year) or 33,000-37,000 (with 200,000 sales per year) suggested by the Committee's First Report for the session 1979/80 (Memorandum 1, Table 5). As noted above, (paragraph 31) the loss of relets may be larger than 2.6 per cent."

Amendment proposed, in line 3, to leave out from the word "Act" to the word "9,000" in line 4, and insert the words:

"may be up to about".—(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 3

Dr Brian Mawhinney  
Mr Robin Squire  
Mr Malcolm Thornton

NOES, 5

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr Nicholas Scott  
Mr David Winnick

Another Amendment proposed, in line 5, to leave out from the word "loss" to the word "18,000" and insert the words:

"may be up to about".—(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 3

Dr Brian Mawhinney  
Mr Robin Squire  
Mr Malcolm Thornton

NOES, 5

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr Nicholas Scott  
Mr David Winnick

Another Amendment proposed, in line 9, to leave out from the word "Table 5)" to the end of the paragraph.—(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 3

Dr Brian Mawhinney  
Mr Robin Squire  
Mr Malcolm Thornton

NOES, 5

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr Nicholas Scott  
Mr David Winnick

Question put, That the paragraph stand part of the Report.

The Committee divided.

AYES, 6

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr Nicholas Scott  
Mr Robin Squire  
Mr David Winnick

NOES, 2

Dr Brian Mawhinney  
Mr Malcolm Thornton

Paragraph agreed to.

Paragraph 39 read, as follows:

- "39. The Committee notes that the Secretary of State has repeated, in paragraph 29 of the Department's reply of December 1980 to the Committee's first report 1979/80, that he "considers that, as set out in the financial appraisal, in the representative case the need to replace a council house which has been sold will not arise for many years". It is not clear on what grounds he continues to believe this, given the contents of the Department's notes to the Committee of 19 and 29 September, and letter of 24 October. It is apparent to the Committee that the Government's assessment of the effects of council house sales on the Local Authority Housing Service has been based on a false premise. Now that the loss of relets due to sales has been shown to be substantial, the Department's policies need to be reconsidered. In particular, the loss of relets resulting from sales is a reason, additional to those given in the Committee's first report for the session 1979/80 for reconsideration of the reductions in public expenditure on housing proposed in CMND 7841. These reductions will have been based on the assumption that no relets would be lost within the planning period as a result of council house sales. The likely annual loss of relets referred to in the paragraph above must be taken into account and compensatory provisions should be made."

Amendment proposed, in line 8, to leave out from the word "October" to the end of the paragraph and add the words:

**"The Committee is unclear as to what proportion of the loss of relets due to sales the Government believes should be replaced in the public sector and what proportion should be replaced by expanding the Private Sector. The need to answer this question becomes more pressing as the number of losses of relets increases. The Committee believes that the Government's policy in this regard should be made more explicit."**—(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 3

Dr Brian Mawhinney  
Mr Robin Squire  
Mr Malcolm Thornton

NOES, 5

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr Nicholas Scott  
Mr David Winnick

Another Amendment proposed, in line 18, after the word "and" and before the word "compensatory" insert the word "adequate" and after the word "made", in line 19 add the words:

**"as stated previously"**.—(*Mr David Winnick.*)

Question put, That the Amendments be made.

The Committee divided.

AYES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

NOES, 6

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

Question put, That the paragraph, stand part of the Report.

The Committee divided.

AYES, 5

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr Nicholas Scott  
Mr David Winnick

NOES, 4

Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Robin Squire  
Mr Malcolm Thornton

Paragraph agreed to.

A paragraph—(*Mr David Winnick*)—brought up, read as follows:

"It was put to us by many local authorities and other witnesses that council house sales would reduce the availability of transfers for tenants who do not buy. The Institute of Housing told us, for instance, that 'The simultaneous decline in numbers and standards will make it more difficult for local authorities to satisfy housing needs and choice and mobility will be greatly restricted.' The Housing Centre Trust argued that 'The sale of council housing stock will reduce the remaining tenants' prospects of transferring to better local authority accommodation, with a consequent drop in their morale.' We agree with the view of the Catholic Housing Aid Society in its written evidence that though not all council house sales lead to an immediate loss of relets, sales contribute to a continuing and cumulative loss of relets as dwellings previously owned by the local authority (which would have been re-allocated according to criteria of housing need) change hands on the open market."

Question put, That the paragraph be read a second time.

The Committee divided.

AYES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

NOES, 6

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

Paragraph disagreed to.

Paragraphs 40 and 41 read and agreed to.

Paragraph 42 read, as follows:

"42. The Committee concludes, therefore, that where the sale of vacant properties is to existing local authority tenants or to families high on the waiting list, the loss of relets will not be greater than that resulting from sales to sitting tenants. In other cases it will be. However, it should be remembered that if the vacant properties sold are of good quality, then the immediate effect on the average quality of lettings may be very much greater than is suggested by the number of lettings lost. This point is dealt with more fully in Chapter 6 below."

Amendment proposed, in line 8, after the word "below" to add the words:

"Secondly, and more importantly, it should be remembered that vacant properties are not benefiting anyone. Selling them is preferable to leaving them empty."—(*Dr Brian Mawhinney*.)

Question put, That the Amendment be made.

The Committee divided.

## AYES, 6

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

## NOES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

Paragraph, as amended, agreed to.

Paragraphs 43 and 44 read and agreed to.

Paragraph 45 read, as follows:

"45. There are compelling reasons for expecting that more of the better properties will be sold. Local authorities tend to allocate better property to tenants of long standing or to tenants who have good tenancy records, defined in terms of regular payment of rent and care in looking after their homes. It is precisely these tenants who are most likely to buy."

Amendment proposed, in line 6, after the word "buy" to add the words:

"However, as we have indicated that tenants with poor tenancy records are seldom allocated better properties, they will not be deprived in any real sense if those better properties are sold."—(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

The Committee divided.

## AYES, 4

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Malcolm Thornton

## NOES, 5

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Nicholas Scott  
Mr Robin Squire  
Mr David Winnick

Paragraph agreed to.

Paragraphs 46 to 51 read and agreed to.

Paragraph 52 read, as follows:

"52. The sum of the available evidence and opinion on this issue is not entirely conclusive, but it does suggest that sales will be disproportionately of houses rather than of flats, and that sales of houses will tend towards the better quality properties in more attractive areas, or areas in which there is already a high proportion of owner-occupation."

Amendment proposed, in line 5, after the word "owner-occupation" add the words:

"This will of course, make the position of many who remain in the rented public sector worse as their chances of being able to move, say, from a flat to a tower block to a house, and particularly in more popular areas, will be reduced."—*(Mr David Winnick.)*

Question put, That the Amendment be made.

The Committee divided.

AYES, 6

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr David Winnick

NOES, 3

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Malcolm Thornton

Question put, That the paragraph, as amended, stand part of the Report.

The Committee divided.

AYES, 6

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr David Winnick

NOES, 3

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Malcolm Thornton

Paragraph, as amended, agreed to.

Paragraph 53 read, as follows:

"53. Chapters 4-6 have suggested that council house sales are likely to run at around 100,000 per annum or more in the next few years, that this would mean a cumulative loss of 9,000 or more relets to the public sector by 1983/84 and that strong *a priori* arguments and such research evidence as is available to the Committee suggest that these losses are likely to be disproportionately concentrated upon better properties and locations and upon houses rather than flats. This Chapter examines what resources are likely to be available to local authorities for replacement of these lost re-lets, and the following Chapter will examine what are likely to be the special effects upon particular groups and areas in public housing."

Amendment proposed, in line 1, to leave out the word "Chapters" to the word "This" in line 7.—*(Dr Brian Mawhinney.)*

Question put, That the Amendment be made.



The Committee divided.

AYES, 2

Dr Brian Mawhinney  
Mr Malcolm Thornton

NOES, 7

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr David Winnick

Question put, That the paragraph stand part of the Report.

The Committee divided.

AYES, 7

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr David Winnick

NOES, 2

Dr Brian Mawhinney  
Mr Malcolm Thornton

Paragraph agreed to.

Paragraphs 54 and 55 read and agreed to.

Paragraph 56 read, as follows:

"56. Evidence from published statistics further reveals a rise in the recent trend in the numbers of homeless persons. It has been argued that this trend reflects the effects of both reduced access to home-ownership due to recent economic constraints and a long-term decline in the availability of privately rented accommodation. Almost all of the local authorities who submitted evidence to the Committee therefore expected to experience sharply increased difficulties in meeting the housing demands placed upon them. Most local authorities expected these existing problems of declining real resources and rising demands to be exacerbated by the loss of re-lets and better quality stock which would result from council house sales, particularly as they would lose a higher proportion of easily maintained homes."

Amendment proposed, in line 8, after the word "them" and before the word "Most", insert the words:

"The Committee noted, however, that few local authorities sought to determine the degree of real need of those on their waiting lists. These lists are not *per se* a good indicator of real housing need."—(Dr Brian Mawhinney.)

Question put, That the Amendment be made.

The Committee divided.

AYES, 6

Mr Geoffrey Johnson Smith  
 Dr Brian Mawhinney  
 Mr Norman Miscampbell  
 Mr Nicholas Scott  
 Mr Robin Squire  
 Mr Malcolm Thornton

NOES, 3

Mr Frank Dobson  
 Mr Reginald Freeson  
 Mr David Winnick

Another amendment proposed, in line 10, to leave out from the word "which" to the word "result" and insert the word: "might".—(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 6

Mr Geoffrey Johnson Smith  
 Dr Brian Mawhinney  
 Mr Norman Miscampbell  
 Mr Nicholas Scott  
 Mr Robin Squire  
 Mr Malcolm Thornton

NOES, 3

Mr Frank Dobson  
 Mr Reginald Freeson  
 Mr David Winnick

Another Amendment proposed, in line 11, to leave out from the word "they" to the word "lose" and insert the word: "might".—(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 6

Mr Geoffrey Johnson Smith  
 Dr Brian Mawhinney  
 Mr Norman Miscampbell  
 Mr Nicholas Scott  
 Mr Robin Squire  
 Mr Malcolm Thornton

NOES, 3

Mr Frank Dobson  
 Mr Reginald Freeson  
 Mr David Winnick

Question put, That the paragraph, as amended, stand part of the Report.

The Committee divided.

AYES, 6

Mr Geoffrey Johnson Smith  
 Dr Brian Mawhinney  
 Mr Norman Miscampbell  
 Mr Nicholas Scott  
 Mr Robin Squire  
 Mr Malcolm Thornton

NOES, 3

Mr Frank Dobson  
 Mr Reginald Freeson  
 Mr David Winnick

Paragraph, as amended, agreed to.

Paragraphs 57 to 59 read and agreed to.

Paragraph 60 read, as follows:

"60. Secondly, it was suggested that the rule permitting individual authorities to add 50 per cent of their capital receipts to housing capital expenditure may distort the allocation of resources away from that which would be indicated by any other policy criteria, in particular by the objective of meeting housing need. This distortion would arise if the actual pattern of sales and capital receipts between authorities diverged significantly from a reasonable assessment of the pattern of housing investment need between authorities."

Amendment proposed, in line 8, after the word "authorities." to add the words:

"The Committee has no means of knowing whether the allocation of some housing resources through the policy of selling council houses is a better or worse means of allocation than the policies used thus far."—(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 1

Dr Brian Mawhinney

NOES, 8

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton  
Mr David Winnick

Question put, That the paragraph stand part of the Report.

The Committee divided.

AYES, 8

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton  
Mr David Winnick

NOES, 1

Dr. Brian Mawhinney

Paragraph agreed to.

Paragraph 61 read, as follows:

"61. The Committee has no conclusive evidence to confirm whether such a divergence will occur or not. Several factors suggest, however, that

variations in the rate of sale and capital receipts between local authorities will be either random or related to factors other than need. For example, those authorities with a higher proportion of flats or with a high proportion of dwellings exempted from the Right to Buy are likely to have lower sales rates. Moreover, the proportion of sale price forming an immediate capital receipt also varies widely between authorities: in 1977/78, for example, it was 88.9 per cent in Westminster, 51.7 per cent in Oldham and 51.6 per cent in Rochdale; but only 19.6 per cent in Birmingham, 16.2 per cent in Coventry, 11.7 per cent in Leeds and 3.5 per cent in Bradford."

Amendment proposed, in line 4, after the word "need." insert the words:

"(The Committee reiterates that it has been given no acceptable definition of 'need')." —(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 2

Dr Brian Mawhinney  
Mr Malcolm Thornton

NOES, 7

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr David Winnick

Another Amendment proposed, in line 6, to leave out from the word "Buy" to the word "have" in line 7 and insert the word: "may". —(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 6

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

NOES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

Paragraph, as amended, agreed to.

Paragraph 62 read, as follows:

"62. It can be argued, on the other hand, that since council house sales will lead to a loss of re-lets and a need for replacement in many cases, the

50 per cent rule will facilitate this replacement. This can only, however, be an extremely rough-and-ready measure since, as shown above, the proportion of capital receipts varies widely between authorities; furthermore, both the actual replacement need and capacity in relation to a given level of sales is likely to be very different in different authorities."

Amendment proposed in line 8, after the word "authorities." to add the words:

"The Committee has been given no conclusive evidence that all council houses sold need to be replaced, nor does it necessarily accept this hypothesis."—(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 6

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

NOES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

Question put, That the paragraph, as amended, stand part of the Report.

The Committee divided.

AYES, 6

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

NOES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

Paragraph, as amended, agreed to.

Paragraph 63 read and agreed to.

Paragraph 64 read, as follows:

"64. The Government has gone some way towards meeting this point in proposing that only 50 per cent of capital receipts from sales, rather than 100 per cent as is the case for certain other housing capital receipts and for non-housing capital receipts, should be added to block capital allocations. The Secretary of State, in his reply to the First Report from the Environment Committee for the Session 1979/80, stated that:

'because the incidence of receipts may vary somewhat from one authority to another the Government has decided that authorities should be able to undertake additional expenditure to their

allocation to the extent of 50 per cent of their receipts from sales of council dwellings to sitting tenants. The remaining 50 per cent will be taken into account in determining the national total for HIP allocations. Authorities will however retain 100 per cent of the cash they received from their capital receipts.'

The Committee concludes that the immediate financial implications of the Right to Buy policy for the investment resources of the local authorities are definite incentives to them to encourage sales. However, the Committee recommends that the Department should monitor closely the effects of the 50 per cent rule, including the extent, if any, to which capital receipts may be channelled away from areas and authorities that need them most."

Amendment proposed, in line 14, to leave out from the word "receipts" to the word "the" in line 17.—(*Mr David Winnick.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

NOES, 6

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

Question put, That the paragraph stand part of the Report.

The Committee divided.

AYES, 7

Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

NOES, 2

Mr Frank Dobson  
Mr David Winnick

Paragraph agreed to.

Paragraph 65 read, as follows:

"65. The Committee also considered whether, in its review of capital receipts and the effects on local authority housing, it was appropriate to include the various low-cost home-ownership schemes proposed by the Minister for Housing and Construction. These schemes are intended to achieve, through partnership with private finance, increased numbers of dwellings for a given amount of public expenditure. Since, however,

these schemes can be launched with any form of public finance, it did not seem appropriate to attribute their potential benefits principally to council house sales."

Amendment proposed, in line 9, after the word "sales" to add the words:

"The Committee believes, however, that these schemes are another example of the Government's determination to make home ownership more widely available and, as such, welcomes them."—(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 6

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

NOES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

Question put, That the paragraph, as amended, stand part of the Report.

The Committee divided.

AYES, 6

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

NOES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

Paragraph, as amended, agreed to.

Paragraphs 66 and 67 read and agreed to.

Paragraph 68 read, as follows:

"68. The Committee therefore concludes that, whilst capital receipts from sales and gains from resales of former council dwellings in the owner-occupied market may help to relieve the pressure on local authority housing services, adequate replacement of lost relets seems unlikely to be possible overall, and particularly for various special groups and areas. The Committee has not examined the effects discussed in this Chapter in the same degree of detail as the issue of the loss of relets which was discussed in Chapter 5, and recommends that the Secretary of State should prepare and publish an examination of these issues."

Amendment proposed, in line 5, after the word "areas" insert the words:

"The Committee takes the view that replacement of all dwellings sold should

not necessarily be a requirement of public policy.”—(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 6

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

NOES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

Paragraph, as amended, agreed to.

Paragraphs 69 to 71 read and agreed to.

Paragraph 72 read, as follows:

“72. The elderly would also be the least likely group to benefit from the offsetting resales in the owner-occupied sector. It was pointed out in paragraph 67 above that studies of the ‘filtering’ effect of the transfer of stock between tenures rarely demonstrated benefits to lower-income households. In the case of non-specialised, non-sheltered dwellings which had formerly been let by local authorities solely to the elderly, their later resale in the private market would be particularly unlikely to result in the benefits being passed through to the same elderly group who would otherwise have benefited if the stock had remained in the public sector.”

Amendment proposed, in line 1, before the first word “The” to insert the words:

“It might be thought that”.—(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 6

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

NOES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

Another Amendment proposed, in line 10, after the word “sector” to add the words:

“On the other hand, the elderly do not necessarily comprise lower-income



households. Some of them might well be in a position to purchase ground floor flats which are available for sale in the owner occupied market as a result of the original local authority sale."—(*Dr Brian Mawhinney*.)

Question put, That the Amendment be made.

The Committee divided.

AYES, 6

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

NOES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

Question put, That the paragraph, as amended, stand part of the Report.

The Committee divided.

AYES, 6

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

NOES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

Paragraph, as amended, agreed to.

Paragraphs 73 and 74 read and agreed to.

Paragraph 75 read as follows:

"75. The Housing Centre Trust argued, by contrast, that first and second generation Asian and West Indian immigrant tenants were generally keen to become home-owners and likely to want to take up the Right to Buy option. The Committee takes very seriously the implications of council house sales for ethnic minorities and regrets that the available evidence does not enable clearer judgments to be made about what on balance is likely to be the overall effect and what measures could be taken to prevent any adverse consequences without prejudicing any potential benefits from sales."

Amendment proposed, in line 5, after the word "minorities" insert a full stop and leave out to the end of the paragraph, and add the words:

"This again shows how many council tenants on low incomes, and often living in the less popular type of areas, are not likely to benefit as a result of the legislation, and a number will undoubtedly be further disadvantaged since their chances of a transfer to more attractive property will be reduced."—(*Mr David Winnick*.)

Question put, That the Amendment be made.

The Committee divided.

AYES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

NOES, 6

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

Paragraph agreed to.

Paragraphs 76 to 83 read and agreed to.

Paragraph 84 read, as follows:

"84. The Committee noted, however, that virtually all of the many witnesses who proposed such amendments as above took the view that no number of pre-emption, locality or other restrictions could be expected to prevent some loss of relettable rural council stock to the externally primed high-priced owner-occupied market and that only a substantial extension of exemptions could achieve this. The Committee considers that the Department should report regularly on local authorities' claims for rural designation and on the reasons for rejecting any of these in whole or in part. The Committee further considers that the operation and effects of the right to buy on rural areas should be monitored in conjunction with local authorities."

Amendment proposed, in line 6, after the word "this." insert the words:

"The Committee suspected that some local authorities also saw exemptions as a way of circumventing the Right to Buy provisions which, politically, they did not like. Nevertheless ..."—(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 1

Dr Brian Mawhinney

NOES. 8

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton  
Mr David Winnick

Paragraph agreed to.

Paragraphs 85 to 100 read and agreed to.

Paragraph 101 read, as follows:

"101. However, in oral evidence to the Committee, DOE officials said: 'In fact we did not present the Appraisal making judgments ourselves as to the probability of the assumptions. We specifically said that the ranges were not given to show the bands within which the answer must necessarily lie, but only to give an indication of the sensitivity of the calculations to alternative assumptions.' A similar point was later made by the Department in written evidence. The Committee accepts that statements about the long-term financial effects of council house sales can only indicate a range of probabilities and the balance between them, depending on the validity of the assumptions used. But the Committee finds that the Appraisal, as published, did purport to show the probable actual financial effects of sales, and considers that it must be evaluated in that light. In any case, like the Comptroller and Auditor General, the Committee is primarily concerned to discover the most likely financial effects of sales."

Amendment proposed, in line 10, to leave out from the word "used." to the second word "In" in line 13.—(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 2

Dr Brian Mawhinney  
Mr Malcolm Thornton

NOES, 7

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr David Winnick

Paragraph agreed to.

Paragraph 102 read, as follows:

"102. The Department has also replied to certain criticisms by arguing that the Appraisal concerned the 'representative case' of a council house sale. The Committee notes that in paragraph 12 of the Appraisal, the Department writes of 'making the appraisals in terms of "average" or "representative" figures', with the implication that the words 'average' and 'representative' are synonymous. Only an analysis of 'average' results will show the likely actual effects of the Right to Buy, and the Committee rejects the use of 'representative' figures in any way such as to give a different result."

Amendment proposed, in line 6, to leave out from the word "synonymous" to the end of the paragraph and add the words:

"The Committee's Adviser believed that only an analysis of 'average' results will show the likely actual effects of the Right to Buy. The Committee did not seek an analysis using 'representative' figures. It believes that such an analysis might have given a different result and one which reflects a more favourable view of the financial effects of council house sales."—(*Dr Brian Mawhinney*.)

Question put, That the Amendment be made.

The Committee divided.

AYES, 3

Dr Brian Mawhinney  
Mr Robin Squire  
Mr Malcolm Thornton

NOES, 6

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr David Winnick

Question put, That the paragraph stand part of the Report.

The Committee divided.

AYES, 6

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr David Winnick

NOES, 3

Dr Brian Mawhinney  
Mr Robin Squire  
Mr Malcolm Thornton

Paragraph agreed to.

Paragraph 103 read, amended, and agreed to.

Paragraphs 104 to 108 read and agreed to.

Paragraph 109 read, as follows:

"109. On one of the most important items, that of the allowance to be made for replacement, the Committee notes that the assumptions made by the Department are questionable. The Department assumed, on the basis of its analysis of the loss of relets, that no need for replacement would arise for thirty years. It has now been established that, on the basis of the Department's own analysis, a significant loss of relets would occur immediately and would be cumulative. The question of replacement does, therefore, arise. The Committee accepts that there is considerable uncertainty about the allowance to be made for replacement, and that a wide range of assumptions is therefore appropriate. But the Committee is also convinced that the correct allowance is not zero."

Amendment proposed, in line 6, leave out the words "a significant" and insert the word: "some".—(*Dr Brian Mawhinney*.)

Question put, That the Amendment be made.

The Committee divided.

AYES, 6

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

NOES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

Another Amendment proposed, in line 7, leave out the words "would be" and insert the words "could be".—(*Dr Brian Mawhinney.*)

Amendment, by leave, withdrawn.

Paragraph, as amended, agreed to.

Paragraphs 110 and 111 read and agreed to.

Paragraph 112 read, as follows:

"112. Memorandum No 4 examines the effects of various alterations to the economic assumptions made in the Appraisal. The financial effect remains favourable in the short term. Over a twenty year period the range of probable results, depending on the validity of the assumptions, embraces both gains and losses—a result substantially different from that shown by the Department. Over a fifty year period every variant examined shows a loss, and the result given by a whole life Appraisal would be worse. The Committee therefore concludes that the sale of council houses on the terms provided by the Housing Act 1980 is overwhelmingly likely to result in long-term financial losses to the public sector. The best estimate of the size of loss on the average house sold shown by our Adviser's calculations is about £12,500, although any such estimate is of course subject to a wide range of error."

Amendment proposed, in line 5, to leave out from the word "losses—" to the end of the paragraph, and add the words:

"Over a fifty year period every variant examined by our Adviser in his report, based on what he thought were reasonable assumptions, showed a loss. The Committee concludes that financial appraisals of an asset with such a long life as a house involving very long-term analyses open to a wide range of interpretations and assessments and the need to attempt to define with a degree of statistical accuracy complex future streams of costs, benefits, payments and receipts are inherently so difficult as to preclude the Committee from coming to a firm judgment about the long-term financial impact on the public sector."—(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 1

Dr Brian Mawhinney

NOES, 7

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr David Winnick

Paragraph disagreed to.

Paragraph 113 read, as follows:

"113. The aggregate long-term loss resulting from the sale of council dwellings under the Housing Act 1980 during the maximum life of the present Parliament appears likely to be of the order of several thousand million pounds. The Committee wishes to record its concern that the only long-term financial appraisal made available to the House prior to the passing of the Act should have been shown to be so unsatisfactory."

Paragraph disagreed to.

A paragraph—(*Mr Nicholas Scott*)—brought up and read as follows:

"112. Whilst the publication of the Department's Appraisal was a useful development of the debate on the financial effects of council house sales, the Committee regrets that as the only long-term Financial Appraisal which was made available to the House prior to the passing of the Act, it should thus have been shown, upon admittedly more detailed and lengthy analysis, to contain so many defects. In Memorandum No 4 our Adviser has applied the same analytical techniques as those used in the Department's Appraisal but with some alterations to their assumptions. He concluded that the financial effect remained favourable in the short term. Over a twenty-year period the range of probably results, depending on the assumption, embraces both gains and losses—a result substantially different from that shown by the Department. Over a fifty-year period on the assumptions used every variant examined by our Adviser showed a loss, whereas in the Department's Appraisal there was a mixture of gains and losses. In view of the fact that our Adviser's findings differ so radically from the Department's and reflects such a predominance of losses, the Committee considers a thorough and comprehensive reply from the Department on this issue to be of paramount importance. Meanwhile the Committee concludes that the extreme sensitivity of the results over a very long-term period to relatively small changes in assumptions about the future streams of costs, benefits, payments and receipts makes a definitive conclusion about the long-term financial effects of sales upon the public sector impossible."

Amendment proposed to the proposed paragraph, in line 15, after the word "losses" to insert the words:

"The best estimate of the size of loss on the average house sold shown by our Adviser's calculations is about £12,500. The aggregate long-term loss resulting from the sale of council dwellings under the Housing Act 1980 during the maximum life of the present Parliament appears likely to be of the order of several thousand million pounds."—(*Mr David Winnick.*)

Question put, That the Amendment to the proposed paragraph be made.

The Committee divided.

AYES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

NOES, 6

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

Question put, That the paragraph be read a second time.

The Committee divided.

AYES, 6

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

NOES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

Paragraph inserted.

Paragraph 114 (now paragraph 113) read, as follows:

"114. It is important to emphasise that the fact that large long-term losses are likely to result from council house sales does not necessarily mean that sales are inadvisable for local authorities, even on financial grounds. The favourable short-term financial effects, already discussed in paragraph 64 above, also need to be taken into account. Memorandum 1 to the Committee's First Report 1979/80 estimated that by 1983/84 the annual combined capital and revenue benefit resulting from an increase in the level of sales to 100,000 per year from their 1979/80 level of about 40,000 would have reached £335 million at 1979 survey prices."

Amendment proposed, That first and second sentences should be in bold type—(*Mr Nicholas Scott and Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 5

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire

NOES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

Another Amendment proposed, in line 1, to leave out the word "large"—(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 5

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire

NOES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

Another Amendment proposed, in line 1, after the word "losses" to leave out the words "are likely to" and insert the word: "may".—(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 1

Dr Brian Mawhinney

NOES, 6

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr David Winnick

Question put, That the paragraph, as amended, stand part of the Report.

The Committee divided.

AYES, 6

Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire

NOES, 2

Mr Frank Dobson  
Mr David Winnick

Paragraph, as amended, agreed to.



Paragraph 115 (now paragraph 114) read, amended and agreed to.

Paragraph 116 (now paragraph 115) read, as follows:

"116. Council house sales bring real benefits to tenant purchasers, and may indirectly benefit those who purchase the dwellings concerned on resale. Perhaps the most fundamental benefit is in meeting the tenure preference of the people concerned. Among the specific non-financial benefits to purchasers which were mentioned to us were: freedom to improve, convert and choose maintenance standards; increased mobility; ability to trade up or down; satisfaction and independence of ownership and additional security. The Tenants Charter enacted by Chapter II of the Housing Act 1980 ought to go some way to reducing the disparity between owner occupation and council tenancy, but major differences will remain. **The Committee welcomes the reduction in these disparities, but would wish to see continued progress to reduce these still further.**"

Amendment proposed, in line 1, after the word "sales" to insert the word "can".  
—(Mr David Winnick.)

Question put, That the Amendment be made.

The Committee divided.

AYES, 4

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Robin Squire  
Mr David Winnick

NOES, 4

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Nicholas Scott

Whereupon the Chairman declared himself with the AYES.

Another Amendment proposed, in line 1, after the word "purchasers", insert the words:

"though at the expense of the public sector as shown in the previous Chapter."  
—(Mr David Winnick.)

Question put, That the Amendment be made.

The Committee divided.

AYES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

NOES, 5

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire

Another Amendment proposed, in line 12, after the word "disparities" to leave out the words to the end of the paragraph and add the words:

"As it welcomes the introduction of the Tenants Charter by the Government,"—  
(*Dr Brian Mawhinney*.)

Question put, That the Amendment be made.

The Committee divided.

AYES, 2

Dr Brian Mawhinney  
Mr Malcolm Thornton

NOES, 7

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr David Winnick

Question put, That the paragraph, as amended, stand part of the Report.

The Committee divided.

AYES, 7

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr David Winnick

NOES, 1

Dr Brian Mawhinney

Paragraph, as amended, agreed to.

Paragraphs 117 to 119 (now 116 to 118) read and agreed to.

A paragraph—(*Mr David Winnick*)—brought up and read as follows:

"The Committee, however, takes the view that while the individual tenant purchaser may well benefit from the Right to Buy provisions, the overall loss to the rented sector of possibly a very substantial amount of accommodation cannot be justified in present circumstances, and particularly when the number of new local authority housing starts is likely to be so small in the next few years. More assistance for council tenants who may wish to move out of their accommodation in order to become owner-occupiers could both be less expensive to the public purse than the legislation under examination and could release dwellings to satisfy pressing housing needs."

Question put, That the paragraph be read a second time.

The Committee divided.

AYES, 3

Mr Frank Dohson  
Mr Reginald Freeson  
Mr David Winnick

NOES, 6

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

Paragraph disagreed to.

Paragraphs 120 to 125 (now paragraphs 119 to 124) read and agreed to.

Paragraph 126 (now paragraph 125) read, as follows:

"126. The Committee is also concerned about the treatment of default when it arises. The Committee considers that default and foreclosure should not necessarily be followed by an open market sale, with its probable consequence that the household concerned will be rendered homeless and will be obliged to seek rehousing, in many cases, under the Housing (Homeless Persons) Act 1977. It was put to the Committee by the Association of District Councils that the local authority should not be prevented from re-acquiring the property concerned, to enable the occupier to continue to live in the same property as a tenant. The Committee urges the Secretary of State to clarify this position, to advise local authorities how to proceed and to remove any barriers to re-acquisition of council houses from defaulting purchasers buying under the Right to Buy."

Amendment proposed, in line 10, to leave out from the word "**position**" to the end of the paragraph."—(*Dr Brian Mawhinney*.)

Question put, That the Amendment be made.

The Committee divided.

AYES, 1

Dr Brian Mawhinney

NOES, 8

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton  
Mr David Winnick

Question put, That the paragraph stand part of the Report.

The Committee divided.

AYES, 8

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton  
Mr David Winnick

NOES, 1

Dr Brian Mawhinney

Paragraph agreed to.

Paragraph 127 (now paragraph 126) read and agreed to.

Paragraph 128 (now paragraph 127) read, as follows:

"128. In a speech on 7 April 1979, before he became Secretary of State, Mr Heseltine said, 'We would not allow the initial mortgage repayments to be less than the rent a tenant currently pays. In the case of cheaper and older properties there will undoubtedly be tenants of long standing whose mortgage repayments will be no higher than they currently pay in rent, and mortgage terms consequently may be shorter than normal if their rent payments exceed the level of instalments that would cover, say, a twenty year mortgage term.' S.18 of the Housing Act 1980 gives the Secretary of State the necessary powers to implement his undertaking and the Committee recommends that he should do so."

Amendment proposed, in line 8, after the word "term" to leave out the words to the end of the paragraph.—(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 2

Dr Brian Mawhinney  
Mr Malcolm Thornton

NOES, 7

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr David Winnick

Question put, That the paragraph stand part of the Report.

The Committee divided.

## AYES, 7

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr David Winnick

## NOES, 2

Dr Brian Mawhinney  
Mr Malcolm Thornton

Paragraph agreed to.

Paragraph 129 (now paragraph 128) read and agreed to.

Paragraph 130 (now paragraph 129) read, as follows:

"130. Some local authorities told us that they expected the standard of maintenance of their remaining stock to be affected as a result of sales. Any such results depend in part on the overall financial effects, since these will affect the availability of funds for management and maintenance services. But concern was expressed to us by the Housing Centre Trust, the Institute of Housing, and the National Consumer Council, and by more than half the local authorities in our survey, that the dwellings sold will tend to be those which have the lowest maintenance costs. This would be because houses have lower management and maintenance costs than flats and purchasers are likely to be tenants who maintain their homes well themselves. Moreover, management costs could rise because of the difficulty of supervising housing estates and blocks of flats with mixed public and private ownership. Increased management and maintenance costs could lead eventually to rent increases for tenants who do not buy."

Amendment proposed, in line 15, after the word "buy" to add the words:

"The Committee has been disturbed to hear recently that some local authorities may be withholding proper repair and maintenance from some tenants who have indicated a desire or intention to buy their properties. The Committee would deplore any such illegal activity."—(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

The Committee divided.

## AYES, 5

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

## NOES, 4

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Norman Miscampbell  
Mr David Winnick

Question put, That the paragraph, as amended, stand part of the Report.

The Committee divided.

AYES, 6

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

NOES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

Paragraph, as amended, agreed to.

Paragraphs 131 to 136 (now paragraphs 130–135) read and agreed to.

A paragraph—(*Mr David Winnick*)—brought up and read as follows:

“The danger which arises, given these conclusions, is of increasing social polarisation between those who succeed in becoming owners and those who are forced to remain tenants. It seems vital to the Committee that Government policies should as far as possible aim to reduce financial and other disparities between owner occupation and council renting, in order to minimise the extent to which social polarisation occurs.”

Question put, That the paragraph be read a second time.

The Committee divided.

AYES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

NOES, 6

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

Paragraph disagreed to.

Paragraph 137 (now paragraph 136) read, as follows:

“137. In his speech on the Second Reading of the Housing Bill on 15 January 1980, the Secretary of State for the Environment outlined the reasons for his policy on discounts and the two-year option. On the former he said:

“The purchase price will be based on the market value less a discount of between 33 and 50 per cent, depending on the purchaser’s length of tenancy. If a dwelling is resold within five years, the original purchaser must repay a part or the whole of the discount.

I believe that these are fair proposals. They recognise what is common practice in the private sector—that a sitting tenant often purchases his home at significantly less than its open market value.

Our proposals also recognise the length of time tenants have been paying rent and have, therefore, not accumulated wealth as have home owners. There are countless examples where council tenants have paid more in rent than early post-war purchasers have paid in mortgage repayments. Yet the purchaser of an average house has an asset worth £20,000 or even £30,000, but the tenant has the right

simply to go on paying rent. Our discounts will bring home ownership within the reach of many for whom it would otherwise remain an impossible dream.'

On the latter he said:

'Clause 15 provides for tenants who cannot afford on financial grounds to buy immediately to receive a two-year option to purchase their homes at the original valuation. For this they will make a returnable deposit of £100. It will enable them to save for the purchase of their homes in the firm knowledge of an established price. That fulfils another manifesto promise.'

Nevertheless the Committee received a number of criticisms of these provisions from the Chartered Institute of Public Finance and Accountancy (CIPFA), and from the Institute of Housing and the National Consumer Council. The Committee considers that the new discounts can be justified on the grounds that they will increase council house sales or that they will result in a greater accretion of wealth to tenant purchasers; the view taken on these points must be essentially a political decision."

Amendment proposed, in line 32, to leave out the word "justified" and insert the word: "argued".—(*Mr David Winnick.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

NOES, 6

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

Another Amendment proposed, in line 33, to leave out the word "or" and insert the word: "and".—(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 6

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

NOES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

Another Amendment proposed, in line 34, after the word "purchasers" to leave out the words to the end of the paragraph and to add the words:

"The Committee welcomes the discounts on both counts".—(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 6

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

NOES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

Question put, That the paragraph, as amended, stand part of the Report.

The Committee divided.

AYES, 6

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

NOES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

Paragraph, as amended, agreed to.

Paragraphs 138 to 140 (now paragraphs 137 to 139) read and agreed to.

Paragraph 141 (now paragraph 140) read, as follows:

"141. The Committee has also received evidence on the two-year option to purchase (S.16 of the Housing Act 1980), including some very strong expressions of concern. The Committee accepts that the two-year option will enable households at the margin to benefit from the Right to Buy, and that a case can be made for it on those grounds. The Committee also notes that, while the value of this additional concession could be very large in the individual cases where it is taken up, in the aggregate it is likely to be small by comparison with the value of the discounts given under S.7 of the Act. In some cases the two-year option could give an additional discount of 10 per cent on that already provided. Our Advisers estimate that even if 20 per cent of purchasers were to use the option for the full two-year period, at a time of 20 per cent inflation per year, the effect would be to raise the overall average discount only by 3½ per cent. However, the Committee notes a number of undesirable consequences to which our attention was drawn. There was concern at the amount of valuation and other work which must



be done by the local authority, even if the purchase is not proceeded with. Many local authorities also told the Committee that pressure from tenants to maintain or improve the property could be expected to increase during the option period. If such expenditures, over and above those normally made, were incurred, they would not be recouped by any increase in the eventual purchase price. If, for this reason, repairs or improvements were deferred, then if the purchase were not proceeded with the local authority would be left with additional difficulties and expense as a result. The Committee considers that local authorities should resist pressure to improve property during the period of the option."

Amendment proposed, in line 3, to leave out from the word "concern" to the word "the" in line 14.—(*Mr David Winnick.*)

Question put, That the Amendment be made.

The Committee divided.

#### AYES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

#### NOES, 6

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

Another Amendment proposed, in line 27, to leave out the full stop after the word "option" and add the following words:

" , but that they must fulfil their statutory repair and maintenance obligations.  
—(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

The Committee divided.

#### AYES, 6

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

#### NOES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Dr David Winnick

Paragraph, as amended, agreed to.

Paragraph 142 (now paragraph 141) read, amended and agreed to.

A paragraph—(*Mr David Winnick*)—brought up and read as follows:

"The Committee agrees with the criticisms received of the two-year option

provisions. The Committee notes the already large aggregate value of the discounts which could total during the life of the present Parliament to over £2,000m at 1980/81 prices and even to £3,600m if 200,000 sales were to take place in 1981/82 to 1983/84. These are indeed very large sums by any standards, especially at a time of substantial reduction in public sector housing expenditure. The Committee considers that the discounts are much too generous, and it is difficult to justify the arbitrary distribution to an individual tenant of public property of the sums involved in the discounts."

Question put, That the paragraph be read a second time.

The Committee divided.

AYES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

NOES, 6

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

Paragraph disagreed to.

Paragraph 143 (now paragraph 142) read and agreed to.

Paragraph 144 (now paragraph 143) postponed.

Paragraphs 145 to 147 (now paragraphs 144-146) read and agreed to.

Paragraph 148 (now paragraph 147) read, as follows:

"148. The Committee has considered the provision of the general consent issued on 3 September 1980, by which local authorities were authorised to sell vacant dwellings at a discount of up to 30 per cent, to anyone with a firm offer of regular employment in the area of the local authority where the dwelling is situated or in the area of any neighbouring authority. Given the general pressure on local authority lettings discussed already, it is evident that in all but a few areas local authorities would find great difficulty in making available any substantial number of homes in this way except at serious cost to other housing objectives. The Committee also considers that granting such large discounts is quite unjustifiable in the context of the relatively small sums available under the programmes to encourage employment mobility for which the Department of Employment is responsible. The general consent may simply benefit households who would have moved anyway; and it raises issues of equity as between incoming households and those already working in the area concerned, and as between beneficiaries of the General Consent and those using the Department of Employment's schemes. The Committee suggests that the Secretary of State should review this general consent in discussion with the Department of Employment."

Question put, That the paragraph stand part of the Report.

The Committee divided.

AYES, 6

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Norman Miscampbell  
Mr Malcolm Scott  
Mr Robin Squire  
Mr David Winnick

NOES, 3

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Malcolm Thornton

Paragraph agreed to.

Paragraphs 149 to 154 (now paragraphs 148 to 153) read and agreed to.

Paragraph 155 (now paragraph 154) read as follows:

"155. The Committee noted the argument that in certain areas of London the very high proportion of council housing may, by causing better paid workers to live elsewhere, have had adverse effects on the local economy. However, it appears impossible, given the distribution of sales by area discussed in Chapter 8 above, to regard the great part of the GLC's sales programme, or the Right to Buy, as making any real contribution to relieving such effects. The 'homesteading' programme appears to play a different role: 412 out of the 288 sales (70 per cent) up to March 1980 were in inner Boroughs. The Committee considers that there is some potential for the sale of exceptionally unpopular property in very poor condition. The Department of the Environment commented on 'the substantial demand . . . for homesteading schemes that the GLC offer' and Mr Bernard Kilroy told us that 'there was a policy that had quite a lot to recommend it, if the worst houses were sold, or indeed, rather the worst flats were sold'. Homesteading does appear to have the potential to make an important contribution although it is too early to attempt an evaluation of the policy, which would need to consider costs as well as benefits."

Amendment proposed, in line 15, to leave out from the word "sold." to the end of the paragraph and add the words:

"Although it is too early to attempt a full evaluation of the policy, the Committee believes that homesteading appears to have the potential to make an important contribution to owner occupation."—(*Dr Brian Mawhinney.*)

Question put, That Amendment be made.

The Committee divided.

AYES, 6

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

NOES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

Question put, That the paragraph, as amended, stand part of the Report.

The Committee divided.

AYES, 7

Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

NOES, 2

Mr Frank Dobson  
Mr David Winnick

Paragraph, as amended, agreed to.

Paragraph 156 (now paragraph 155) read, as follows:

"156. In the light of the evidence the Committee considers that a case can be made in support of each of the three theses on the effect of council house sales on the local economy, which were summarised in paragraph 146 above. However, the first thesis on mobility cannot be said to be established, and in any case other measures to promote mobility in the public sector could, for a very small expenditure of public funds by comparison with the long term costs of council house sales achieve dramatically more effective results. The thesis that the Right to Buy could damage the economy of certain areas with little council housing, where housing pressure is acute, seems firmly established. On the third thesis, although the Committee accepts that there may be some areas, with a high proportion of council housing, where sales could be economically advantageous, in diversifying the tenure pattern, and hence the socio-economic structure of the area, whether any benefits will accrue in a particular area depends very strongly on local circumstances. The Committee does not consider that council house sales will in most areas have any significant beneficial effects on labour mobility or the local economy. It considers that it is essential that key worker and mobility schemes are developed and that resources are retained or provided to facilitate this. It also considers that it is important that central and local government seek to link housing and employment policies in a coherent manner and urges the Department of the Environment, the Department of Employment, local authorities and the Manpower Services Commission to review the situation."

Question put, That the paragraph stand part of the Report.

The Committee divided.

AYES, 8

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton  
Mr David Winnick

NOES, 1

Dr Brian Mawhinney

Paragraph agreed to.

Paragraphs 157 to 159 (now paragraphs 156 to 158) read and agreed to.

Proposed paragraphs—(*Mr David Winnick*)—entitled **The Future of the Public Sector**, postponed.

*Ordered*, That further consideration of the Chairman's draft Report be now adjourned—(*The Chairman*)

[Adjourned till Tuesday 9 June at Four o'clock

## PROCEEDINGS OF THE COMMITTEE

TUESDAY 9 JUNE 1981

## Members present:

Mr Bruce Douglas-Mann, in the Chair

Mr Frank Dohson	Mr Nicholas Scott
Mr Reginald Freeson	Mr Rohin Squire
Mr Geoffrey Johnson Smith	Mr Malcolm Thornton
Dr Brian Mawhinney	Mr David Winnick
Mr Norman Miscampbell	

Consideration of the Chairman's draft Report resumed.

A paragraph—(*Mr Reginald Freeson*)—brought up and read as follows:

"Such a programme of council house sales would also cause a decline in the total stock of rented accommodation which is unprecedented in this century. The total numbers of dwellings available for rent in England and Wales rose between the wars from 7.1 million to 7.7 million, rose again after the Second War to 8.2 million by 1960 and has stayed around that level since then."

Question put, That the paragraph be read a second time.

The Committee divided.

AYES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

NOES, 6

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Rohin Squire  
Mr Malcolm Thornton

Paragraph disagreed to.

Another paragraph—(*Mr Reginald Freeson*)—brought up and read as follows:

"By contrast the disposal of one million council houses during this decade would—combined with the net annual outflow of 85,000 dwellings from the private rented sector and an annual public sector new build rate falling to no more than 31,000—reduce the total numbers of dwellings available for rent in 1990 by 1.5 million to 6.7 million. The Department has provided no evidence to suggest that this substantial reduction in the overall availability of rented accommodation has been related to any assessment of the national household requirement for rented housing."

Question put, That the paragraph be read a second time.

The Committee divided.

## AYES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

## NOES, 6

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

Paragraph disagreed to.

Another paragraph—(*Mr Reginald Freeson*)—brought up, read as follows:

"The Committee notes the significant change now occurring in the demographic balance between single-person and family households, with the growth in the former set to accelerate in the next five years and likely to bring with it a significant change in the national pattern of housing requirements, particularly with regard to rented accommodation, and the Committee is disappointed, therefore, that the Department has not undertaken—or at least has not revealed the results of—any more thorough appraisal of how the above significant reduction in rented accommodation will affect the match of the nation's housing stock to these rapidly changing household requirements, either locally, regionally or nationally."

Question put, That the paragraph be read a second time.

The Committee divided.

## AYES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

## NOES, 6

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

Paragraph disagreed to.

Paragraph 144 (now paragraph 143) read, as follows:

"144. In addition to the discount under S.7, and the two-year option, two other financial concessions to tenant purchasers have been incorporated in the Act or provided by orders or determinations by the Secretary of State under the Act. These are the price freeze from 8 August 1980 to 3 April 1981 (S.3(5)), and the limitation under the Housing (Right to Buy) (Mortgage Costs) Order 1980 to £50 of the costs which may be charged to a tenant purchaser in connection with the right to a mortgage. In addition, there was a proposal by Mr Marcus Fox, then Parliamentary Under-Secretary of State, on 31 May 1979, to limit water authorities' charges for separate connection of water supplies, on sale, where necessary, to £50, although the average cost is thought to be over £300. The Committee welcomes the subsequent statement that "The Department accepts that the proposed £50 limit on charges for separate connections to sold council houses where there is an operational necessity cannot be justified in principle. It is indeed too low . . . Moreover, it does discriminate unfairly against others who are liable to pay the full cost."

Amendment proposed, in line 11, to leave out from the word "£50" to the first word "The" in line 12—(*Dr Brian Mawhinney*.)

Amendment, by leave, withdrawn.

Paragraph agreed to.

Paragraphs entitled **The Future of the Public Sector**—(*Mr David Winnick*)—brought up and read as follows:

- "1. Earlier parts of this Report have discussed the loss of relets and the types of property most likely to be sold under the policy of council house sales. The consequences for special groups and rural or other special areas have also been discussed. The general implications of these changes are that the sale of council houses on the scale discussed in this Report involves a substantial change in the role of council housing. The significance of this change is exacerbated by reductions in local authority expenditure on new building and improvement. Many of the local authorities giving evidence to the Committee referred to severe problems in meeting housing need and demand for council housing. The common experience of growing waiting lists and increasing rates of homelessness is accompanied by various specific problems and shortages in different areas. In some areas the supply of council housing for letting is nearing a point where it is insufficient for any allocations to general waiting list applicants to be made and where opportunities for transfers are seriously affected. Only the homeless, decants, those in statutory rehousing categories and special medical or social service priority cases will be sure of reasonable priority treatment.
- "2. Council house sales is only one factor affecting this situation and any evaluation involves considerations beyond the scope of this Enquiry. The Committee is aware that there is considerable unmet demand for council housing and that the continued decline of the private rented sector has and will continue to create new demands on the council housing service. Reference to these factors and to demands for council housing from mobile workers, one parent families, married couples without children and saving to buy a house and single people with modest incomes was made in a memorandum prepared for the Committee.
- "3. The Committee is concerned with the general implications of the present housing situation. The immediate prospect for council tenants, prospective tenants and those who can not afford to buy is of reduced housing opportunity and choice. This is in marked contrast to the increased opportunity being made available to those tenants who are fortunate enough to be in desirable dwellings and to be able to purchase.
- "4. In the light of these factors the Committee considers that a coherent housing policy must include a policy towards tenants and those who will continue to rent. A positive approach towards the local authority housing service should be adopted. The Committee has noted the various criticisms which are made of council housing: inefficiency and bureaucracy, a paternalistic style of management, financial disadvan-



tages for tenants, inadequate repair and maintenance services, lack of control of the service by tenants and lack of mobility and choice for tenants. At the same time the Committee recognises that council housing has played a major part in improving the standards of housing available and in enabling households who would be unable to purchase the use of adequate housing to obtain such housing. There are other aspects of council housing which can be claimed to have advantages compared with other forms of housing provision. Against this background the Committee welcomes the development in the Tenants Charter of measures to benefit households who will be council tenants and considers that further steps should be taken to improve the position of council tenants and the quality of service available to them.

- "5. In the course of our Enquiry a number of witnesses have expressed fears about the effects of the Right to Buy upon the character of the council housing service. In some cases, this was concern that the public sector could become a stigmatised source of lower quality dwellings in particular for poor people. Local authorities would find it more difficult to provide a good service and a 'welfare' housing service would result. Loss of variety in the public sector stock and consequent reduction in the ability to provide choice of dwelling type or location or to match household needs with appropriate dwellings will tend to create a situation in which the public housing stock consists more completely of less popular dwelling types in less popular areas. Only those households unable to buy will accept such dwellings and the increased risk of social stigmatisation which will accompany it.
- "6. The Committee is concerned that council housing should not develop towards welfare housing and considers it important that measures are taken to check such a tendency. Many tenants will not buy their properties given their preferences for a house, attitudes to renting, changing family circumstances or the quality of accommodation concerned. For this group and for those seeking council housing, the net effect of council house sales could be to reduce the chances of obtaining choice of accommodation. The Committee considers that it is essential that policies are developed at central and local level which recognises the aspirations and needs of council tenants and provide opportunity and choice within the public sector.
- "7. The Committee urges the Secretary of State to consult fully with local authorities on this issue and recognises that in order to prevent an unacceptable deterioration of service in some areas in the future, increases in expenditure on items such as management and maintenance may be necessary. In addition it recognises that in some authorities consideration will need to be given to new building and acquisition policies designed to ensure that the quality and variety of dwellings in the public sector did not decline. Local authorities should be enabled to develop a more sensitive council housing service and ensure a high standard of service in the future and the Secretary of State should encourage this through subsidy and other mechanisms. The Committee in view of this reiterates the recommendation of its First

Report that the planned drastic reductions in the total of housing public expenditure should be reconsidered in future years."

Question put, That the paragraphs be read a second time.

The Committee divided.

AYES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

NOES, 6

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr. Robin Squire  
Mr Malcolm Thornton

Paragraphs disagreed to.

*Ordered*, That further consideration of the Chairman's draft Report be now adjourned—(*The Chairman*)

[Adjourned till Tuesday 16 June at Four o'clock

## PROCEEDINGS OF THE COMMITTEE

TUESDAY 16 JUNE 1981

## Members present:

Mr. Bruce Douglas-Mann, in the Chair

Mr Frank Dobson

Mr Reginald Freeson

Mr Geoffrey Johnson Smith

Dr Brian Mawhinney

Mr Norman Miscampbell

Mr Nicholas Scott

Mr Robin Squire

Mr Malcolm Thornton

Mr David Winnick

Consideration of the Chairman's draft Report resumed.

*Ordered*, That Chapter 15 be read a second time, paragraph by paragraph.

Paragraph 160 (now paragraph 159) read, as follows:

"160. The Committee has received written and oral evidence from a selected sample of local authorities, construction companies, credit institutions, pressure groups, professional bodies, academics and volunteers: and the consideration of eight memoranda prepared by its Specialist Advisers. The policy of council house sales has implications for the community at large which have not hitherto been adequately considered (paras 1-8)."

Amendment proposed, in line 6, to leave out from the word "which" to the end of the paragraph and add the words:

"will only become apparent with the passage of time."—(*Dr Brian Mawhinney*.)

Question put, That the Amendment be made.

The Committee divided.

AYES, 5

Mr Geoffrey Johnson Smith

Dr Brian Mawhinney

Mr Nicholas Scott

Mr Robin Squire

Mr Malcolm Thornton

NOES, 3

Mr Frank Dobson

Mr Reginald Freeson

Mr David Winnick

Question put, That the paragraph, as amended, stand part of the Report.

The Committee divided.

AYES, 5

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

NOES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

Paragraph, as amended, agreed to.

Paragraph 161 (now paragraph 160) read, as follows:

"161. The evidence both from local authorities and the Department of the Environment showed that very little research had been done into these wider effects, nor had adequate estimates been prepared of the probable consequences of the policies involved in the Housing Act 1980. The erroneous claim by the Department of the Environment that sales would not result in any significant loss of relets for about 35 years was only one example of this lack of research or serious evaluation of the policies (paragraphs 12-13)."

Amendment proposed, in line 4, to leave out from the word "1980." to the end of the paragraph and add the words:

"One example of this was the claim by the Department of the Environment that sales would not result in any significant loss of relets for about 35 years."  
—(*Mr Nicholas Scott.*)

The Committee divided.

AYES, 5

Mr Reginald Freeson  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

NOES, 2

Mr Frank Dobson  
Mr David Winnick

Question put, That the paragraph, as amended, stand part of the Report.

The Committee divided.

AYES, 5

Mr Reginald Freeson  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

NOES, 2

Mr Frank Dobson  
Mr David Winnick

Paragraph, as amended, agreed to.

Paragraph 162 (now paragraph 161) read and agreed to.

Paragraph 163 (now paragraph 162) read, as follows:

"163. Correspondence with the Department of the Environment has demonstrated to the Committee that the Department cannot sustain its

original assertion that the loss of relets (lettings of council property after their former tenants have moved or died) will be 'minimal'. On the figures now supplied by the Department, the best estimate for the loss of relets calculated in the manner proposed by the Department is at least 2.6 per cent per annum of dwellings sold: this will gradually rise towards 3.7 per cent (paragraphs 28-36). The figures given in the 'Appraisal of the Financial Effects of Council House Sales' published by the Department of the Environment were incorrect. The loss over thirty years will be at least 78,000 for every 100,000 dwellings sold: and over the first ten years at least 26,000. The effects on the numbers of new lettings and transfers will be substantial (paragraphs 28-37). The Secretary of State repeated in his reply to the Committee's First Report, the view, expressed in the Financial Appraisal, that 'the need to replace a Council house that has been sold will not arise for many years'. It is not clear to the Committee on what grounds he continues to believe this, having regard to the contents of the correspondence between the Department and the Committee. The Government's assessment of the effects of Council house sales on the local authority housing service has been based on a false premise. The extent of the loss of relets is a reason, additional to those set out in the Committee's First Report, for reconsideration of the reductions in Public Expenditure on Housing proposed in the Public Expenditure White Papers of 1980 and 1981 (paragraph 39). Sales of vacant properties, unless, as they often seem to be, to present local authority tenants or to those high on the waiting list, result in a loss of relets at the rate of 100 per cent: to the extent that the dwellings sold are of good quality, the effect on the average quality of lettings is even greater than the numbers involved might suggest (paragraphs 40-42)."

Amendment proposed, in line 6, after the word "calculated", insert the words:

"on the basis of one possible distribution and"—(*Dr Brian Mawhinney.*)

The Committee divided.

#### AYES, 2

Dr Brian Mawhinney  
Mr Malcolm Thornton

#### NOES, 7

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr David Winnick

Another Amendment proposed, in line 6, to leave out from the word "Department" to "2.6" in line 7 and insert the words:

"might give a maximum of"—(*Dr Brian Mawhinney.*)

The Committee divided.

AYES, 2

Dr Brian Mawhinney  
Mr Malcolm Thornton

NOES, 7

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr David Winnick

Another amendment proposed, in line 7, to leave out from the word "sold" to the word "(paras . . .)" in line 8—(*Dr Brian Mawhinney.*)

The Committee divided.

AYES, 2

Dr Brian Mawhinney  
Mr Malcolm Thornton

NOES, 7

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr David Winnick

Another Amendment proposed, in line 6, to leave out from the word "is" to "2.6" in line 7 and insert the word: "some"—(*Mr Nicholas Scott.*)

The Committee divided.

AYES, 7

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr David Winnick

NOES, 2

Dr Brian Mawhinney  
Mr Malcolm Thornton

Another Amendment proposed, in line 11, to leave out from the word "be" to "78,000" and insert the word: "some"—(*Mr Nicholas Scott.*)

The Committee divided.

AYES, 7

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr David Winnick

NOES, 2

Dr Brian Mawhinney  
Mr Malcolm Thornton

Another Amendment proposed, in line 12, to leave out from the word "years" to "26,000" and insert the word: "about"—(*Mr Nicholas Scott.*)

The Committee divided.

AYES, 7

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr David Winnick

NOES, 2

Dr Brian Mawhinney  
Mr Malcolm Thornton

Another Amendment proposed, in line 8, to leave out from the word "(paragraphs 28-36)" to the word "(paragraphs 28-37)" in line 13—(*Dr Brian Mawhinney.*)

The Committee divided.

AYES, 2

Dr Brian Mawhinney  
Mr Malcolm Thornton

NOES, 7

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr David Winnick

Another Amendment proposed, in line 19, to leave out from the word "Committee." to the word "1981" in line 25—(*Dr Brian Mawhinney.*)

The Committee divided

AYES, 2

Dr Brian Mawhinney  
Mr Malcolm Thornton

NOES, 7

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr David Winnick

Another Amendment proposed, in line 19, after the word "Committee.", to leave out the word "The" and insert the words:

"To a degree therefore the"—(*Mr Nicholas Scott.*)

The Committee divided.

## AYES, 5

Mr Geoffrey Johnson Smith  
 Mr Norman Miscampbell  
 Mr Nicholas Scott  
 Mr Robin Squire  
 Mr Malcolm Thornton

## NOES, 3

Mr Frank Dobson  
 Mr Reginald Freeson  
 Mr David Winnick

Another Amendment proposed, in line 25, to leave out from the word "(para 39)" to the word "(paras 40-42)" in line 30 and insert the words:

"Most sales of vacant properties appear to be to present local authority tenants or to families high on the waiting list, and in these cases the loss of relets will be no greater than with sales to sitting tenants. However, it should be remembered that vacant properties are not benefiting anyone. Selling them is preferable to leaving them empty."—(*Mr Nicholas Scott and Dr Brian Mawhinney.*)

The Committee divided.

## AYES, 6

Mr Geoffrey Johnson Smith  
 Dr Brian Mawhinney  
 Mr Norman Miscampbell  
 Mr Nicholas Scott  
 Mr Robin Squire  
 Mr Malcolm Thornton

## NOES, 3

Mr Frank Dobson  
 Mr Reginald Freeson  
 Mr David Winnick

Question put, That the paragraph, as amended, stand part of the Report.

The Committee divided.

## AYES, 6

Mr Frank Dobson  
 Mr Reginald Freeson  
 Mr Geoffrey Johnson Smith  
 Mr Norman Miscampbell  
 Mr Nicholas Scott  
 Mr Robin Squire

## NOES, 2

Dr Brian Mawhinney  
 Mr Malcolm Thornton

Paragraph, as amended, agreed to.

Paragraph 164 (now paragraph 163) read and agreed to.

Paragraph 165 (now paragraph 164) read, as follows:

"165. Evidence to the Committee and published statistics reveal a recent rising trend in homelessness. The Committee's First Report projected a sharp decline in both new housing starts and improvement and renovation by local authorities. Most local authorities suggested that selling Council houses, because of the loss of relets, will exacerbate these problems. Although 50 per cent of the capital receipts from sales can be applied by the local authority to such purpose as it wishes, including new



housing investment, (and the full amount is available to the overall housing programme), immediate capital receipts will in practice only arise where the whole or part of the purchase price is provided from the purchaser's own resources, or a private mortgage (as distinct from a local authority mortgage). Such immediate receipts are likely to amount to between one-quarter and one-third of selling prices: with an average 40 per cent discount, the amounts immediately available to individual local authorities to invest will be between 7½ per cent and 10 per cent of selling prices, although further capital receipts will accrue in subsequent years as mortgages are paid off. The immediate influence of this factor will consequently be small, but is sufficient in the short term to constitute an incentive towards sales, as the number of relets lost over three or four years will be less than the number of replacement dwellings which could be funded through capital receipts. As, however, the scope for selling council houses will vary widely from area to area, depending particularly on the proportion of flats in the housing stock, the allocation of housing investment by reference to the level of sales achieved, rather than on the admittedly difficult and complex assessments of housing need, requires to be closely monitored (paragraphs 53-64); so also should the extent to which the risk of future compulsory sales may act as a disincentive to local authorities from building or improving properties in future (paragraph 66). The Committee welcomed the Department's assurance that no account will be taken of expected sale receipts when block capital allocations are made (paragraph 59). Overall investment resources available to local authorities are unlikely to be adequate to enable them to replace the lost relets and meet housing needs, although not all council dwellings sold need necessarily be replaced (paragraph 68)."

Amendment proposed, in line 2, after the word "homelessness." add the words: "The Committee noted, however, that few local authorities sought to determine the degree of real need of those on their waiting lists. These lists are not *per se* a good indicator of real housing need."—(*Dr Brian Mawhinney.*)

The Committee divided.

AYES, 6

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

NOES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

Another Amendment proposed, in line 31, to leave out from the word "(paragraph 59)." to the end of the paragraph and add the words:

"While it is probable that overall investment resources available to local authorities will be unlikely to be such as to enable them to replace the lost relets, the Committee is not persuaded that all council dwellings sold need necessarily be replaced."—(*Mr Nicholas Scott.*)

The Committee divided.

AYES, 4

Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Malcolm Thornton

NOES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

Paragraph, as amended, agreed to.

Paragraph 166 (now paragraph 165) read, amended and agreed to.

Paragraph 167 (now paragraph 166) read and agreed to.

Paragraph 168 (now paragraph 167) read, as follows:

"168. For the reasons set out in Chapter 10 and Adviser's Memorandum No 4, the Committee considers that many of the assumptions on which the Department's 'Appraisal of the Financial Effects of Council House Sales' was based were unrealistic and that the Appraisal may give an unduly favourable view of the financial effects of council house sales. In oral evidence to the Committee, DOE officials said: 'In fact we did not present the Appraisal making judgments ourselves as to the probability of the assumptions. We specifically said that the ranges were not given to show the bands within which the answer must necessarily lie, but only to give an indication of the sensitivity of the calculations to alternative assumptions.' (Paragraph 101.) Nevertheless, the Secretary of State in the DOE Press Release accompanying the Appraisal said: 'The Appraisal which we have published today represents a most rigorous, sophisticated and comprehensive attempt to assess the financial effects of the sale of council houses. . . . To maintain objectivity a very wide range of alternative assumptions has been used.' (Paragraph 100.) The Committee accepted many of the Comptroller and Auditor General's criticisms of the Department's assumptions; for instance, in his view that the lowest assumption on the rate of increase of rents was clearly less probable than the highest assumption, that the highest of the Department's assumptions on the savings in upkeep and management expenditures should not have been included, that the public sector cost of private improvements should be included and that allowance should be made for the future effect of the new State pension scheme. The Committee also accepts the view put to it by CIPFA that among the alternatives which the Appraisal should have considered was an increase of rents in relation to earnings. Whilst recognising the publication of the Department's Appraisal as a useful development of the debate on the financial effect of council house sales, the Committee regrets that as the only long-term Financial Appraisal available to the House prior to the passing of the Act, it should have been shown in these and several other ways to contain so many defects. Our Adviser, applying the same analytical techniques as those used in the Depart-

ment's Appraisal, but with some alternation to the assumptions, concluded that, whilst the financial effect remained favourable in the short term, the 20-year appraisal contained both losses and gains and over a 50-year period every variant, under the assumptions used, showed a loss. The Committee accepts that the validity of assumptions relating to projections of more than 20 years ahead becomes increasingly speculative. The Committee considers that, since these findings differ so radically from those of the Department, a thorough and ocmprehensive reply from the Department on this issue is of paramount importance. Meanwhile the Committee concludes that the extreme sensitivity of the results over a very long-term period to relatively small changes in assumptions makes a definitive conclusion about the long-term financial effects of sales upon the public sector impossible (paragraphs 98-114). The Committee considers that the effects of the subsidy arrangements under Part VI of the Housing Act 1980, will require careful monitoring to discover whether capital resources are being channelled away from areas that need them most. In the meantime, the Committee welcomes the ending of the anomaly whereby capital investment financed from capital receipts has been inadmissible for housing subsidy paragraph 115)."

Amendment proposed, in line 2, to leave out the word "many" and insert the word: "some"—(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 5

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Malcolm Thornton

NOES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

Another Amendment proposed, in line 5, after the word "sales" insert the words:

"On the other hand the Committee noted the Department's view that the Appraisal was not present as the Department's judgment as to the probability of the assumptions being correct."—(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 4

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Malcolm Thornton

NOES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

Another Amendment proposed, in line 27, to leave out from the word "earnings" to the word "Our" in line 32—(*Dr Brian Mawhinney*.)

Question put, That the Amendment be made.

The Committee divided.

AYES, 1

Dr Brian Mawhinney

NOES, 7

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr David Winnick

Paragraph, as amended, agreed to.

Paragraphs 169 and 170 (now paragraphs 168 and 169) read and agreed to.

Paragraph 171 (now paragraph 170) read, as follows:

"171. Much concern was expressed to the Committee that the effects of sales may be financially disadvantageous for those tenants who remain in the sector, because the dwellings sold are likely to be those with the lowest management and maintenance costs. At the same time the Committee has been disturbed to hear that some local authorities may be withholding proper repair and maintenance from some tenants who have indicated a desire or intention to buy their properties (paragraphs 129-130)."

Amendment proposed, in line 4, to leave out from the word "costs." to the end of paragraph—(*Mr Frank Dobson*.)

Question put, That the amendment be made.

The Committee divided.

AYES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

NOES, 6

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

Paragraph agreed to.

Paragraphs 172 and 173 (now paragraphs 171 and 172) read and agreed to.

Paragraph 174 (now paragraph 173) read, amended and agreed to.

Paragraph 175 (now paragraph 174) read, as follows:

"175. While most local authorities expected little effect from council house sales on the local economy, three thesis emerged from the evidence about the effects (para 146). First it was argued that as owner-occupiers tend to be more mobile than council house tenants, a transfer to owner-occupation would increase actual or potential mobility. The Committee accepts that there will be some beneficial effect on mobility for those who buy, but is concerned that mobility for the remainder may be reduced. The Committee welcomes the National Mobility Scheme announced on 1 April 1981 which is intended to enhance the opportunity to move for those remaining in the public sector (paragraph 147). The general consent for the sale of vacant dwellings at discounts of up to 30 per cent for those moving in order to take up employment is unlikely to contribute substantially to mobility except at serious cost to other housing objectives, and the cost of such large discounts is unjustifiable in the context of the relatively small expenditure on other mobility programmes. This general consent should be reviewed in consultation with the Department of Employment (paragraph 148). Secondly, it was suggested that in areas of acute competition for houses between lower-paid workers and others, council house sales will worsen the housing prospects of local workers, creating local labour shortages particularly in lower paid occupations. This is a potential problem both in rural and urban periphery areas. The Committee recommends that any discontinuance of Key Worker Schemes or difficulties in operating the provisions of the Rent (Agriculture) Act 1975, should be monitored by the Department to discover the extent to which the policy of sales is responsible (paragraphs 149-151). Thirdly, it was suggested that in areas where local authority housing forms a high proportion of the housing stock, professional and skilled workers who wish to be owner occupiers, are liable to move out, and industry consequently to do the same. It was argued that as sales of council houses enlarge the opportunities for owner-occupation, the policy might relieve shortages of higher paid labour. The Committee considers that such benefits would not be significant (paragraphs 152-155)."

Amendment proposed, in line 33, after the word: "significant" insert the words:

"On the other hand the Committee believes that homesteading appears to have the potential to make a contribution to owner-occupation."—(*Dr Brian Mawhinney.*)

Question put, That the Amendment be made.

The Committee divided.

AYES, 6

Mr Geoffrey Johnson Smith  
Dr Brian Mawhinney  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton

NOES, 3

Mr Frank Dobson  
Mr Reginald Freeson  
Mr David Winnick

Paragraph, as amended, agreed to.

Paragraphs 176 to 178 (now paragraphs 175 to 177) read and agreed to.

Paragraph 179 read and disagreed to.

Paragraph 180 (now paragraph 178) read as follows:

"180. In addition to the points reported to the Committee by the Department, the Committee has set out a number of issues on which it considers that information should be regularly collected and published. These issues are summarised in Annex I (short-term) and Annex II (long-term). The Committee recommends that the Department should commission research on these issues without delay."

Question put, That the paragraph stand part of the Report.

The Committee divided.

AYES, 8

NOES, 1

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire  
Mr Malcolm Thornton  
Mr David Winnick

Dr Brian Mawhinney

Paragraph agreed to.

Question proposed, That several papers be appended to the Report:

(i) Memoranda by Specialist Advisers

No 2 'The Redistribution of Wealth' by Mr D Webster

No 3 'The Loss of Rents' by Mr D Webster

No 4 'The Long-Term Financial Effect of Council House Sales on the Public Sector as a Whole' by Mr D Webster

No 7 'Analysis of Short, Medium and Long-Term Effects upon Private Housing Finance, Output and Prices' by Mr J Stevenson

No 8 'A Short History of Council Housing' by Mr A Murie

(ii) the additional written evidence following the oral sessions

(iii) Memorandum by the Comptroller and Auditor General

(iv) reprints of daily evidence

(v) other questionnaires inviting written evidence

Amendment proposed to leave out item (i) "Memoranda by the Specialist Advisers"—(*Dr Brian Mawhinney*.)

Question put, That the Amendment be made.

The Committee divided.

AYES, 1

Dr Brian Mawhinney

NOES, 6

Mr Frank Dobson  
Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr David Winnick

Main Question put and agreed to.

Question put, That the Report be the Second Report of the Committee to the House.

The Committee divided.

AYES, 5

Mr Reginald Freeson  
Mr Geoffrey Johnson Smith  
Mr Norman Miscampbell  
Mr Nicholas Scott  
Mr Robin Squire

NOES, 4

Mr Frank Dobson  
Dr Brian Mawhinney  
Mr Malcolm Thornton  
Mr David Winnick

*Ordered*, That the Chairman do make the Report to the House.

*Ordered*, That the provisions of Standing Orders Nos 85 Select Committees (Reports) and 85A Witnesses and Evidence (Select Committees) be applied to the Report.

The Committee deliberated.

[Adjourned till Tuesday 23 June at a quarter to Four o'clock

HOUSE OF COMMONS

Second Report from the

**ENVIRONMENT  
COMMITTEE**

Sessions 1980-81

**COUNCIL HOUSE SALES**

**VOLUME II**

**Minutes of Evidence**

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*Ordered by The House of Commons to be printed  
16 June 1981*

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LONDON  
HER MAJESTY'S STATIONERY OFFICE

£10.80 net

HC 366-II  
HC 535 i-xi (1979-80)





The Environment Committee is appointed under SO No 86A to examine the expenditure, administration and policy of the Department of the Environment and associated public bodies and similar matters within the responsibilities of the Secretary of State for Northern Ireland.

The Committee consists of 11 Members, of whom the quorum is three. Unless the House otherwise orders, all Members nominated to the Committee continue to be members of it for the remainder of the Parliament.

The Committee has power:—

- (a) to send for persons, papers and records, to sit notwithstanding any adjournment of the House, to adjourn from place to place, and to report from time to time;
- (b) to appoint persons with technical knowledge either to supply information which is not readily available or to elucidate matters of complexity within the Committee's order of reference.

*26 November 1979*

The Environment Committee was nominated of:—

Mr Donald Anderson, Mr David Atkinson, Mr Frank Dobson, Mr Bruce Douglas-Mann, Mr Jim Marshall, Dr Brian Mawhinney, Mr Norman Miscampbell, Mr Nicholas Scott, Mr Robin Squire, Mr Malcolm Thornton, Mr David Winnick.

*14 December 1979*

Mr Donald Anderson discharged  
Mr David Atkinson discharged

Mr Geoffrey Johnson Smith added

*1 February 1980*

Mr John Sever added

*23 January 1981*

Mr Jim Marshall discharged

*13 April 1981*

Mr Reginald Freeson added

The cost of preparing for publication the Shorthand Minutes of Evidence taken before the Committee was £1,439.26.

The cost of printing and publishing the Report is estimated by Her Majesty's Stationery Office at £45,990.

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TUESDAY 1 APRIL 1980

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Members present:

Mr B Douglas-Mann in the Chair

Mr F Dobson  
Mr G Johnson-Smith  
Mr J Marshall

Mr N Miscampbell  
Mr N Scott  
Mr D Winnick

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TO LOCAL AUTHORITIES

18 February 1980

Dear Sir,

**Sale of Council Houses**

1. The Environment Committee was set up by Order of the House of Commons on 25 June 1979, as a Select Committee to examine the expenditure, administration and policy of the Department of the Environment and its associated bodies. The Committee is currently looking into the issue of the rented housing sector and will first take evidence on the financial and social implications of the sale of council houses. It is about the sale of council houses that I have been asked to seek your written evidence, your authority being one of a representative sample, particularly relevant to the Committee's enquiry.

2. When the Committee has considered the written evidence, it will invite a number of local authorities and other organisations to give oral evidence to the Committee. An indication of your willingness to give oral evidence will be welcome.

3. The ground that the Committee wish to cover is set out in the three sections of the enclosed Questionnaire. The Committee is anxious that its survey should be as complete as possible and recognises that the preparation of evidence of this kind is a troublesome task, but hopes that you will feel able to undertake it. It would be helpful if your reply, which I hope you will be able to send by 17 March, could conform so far as possible to the same format as the Questionnaire. If there are other considerations affecting the financial and social aspects not covered by the Questionnaire, please add these to your evidence.

*Clerk to the Committee*

Enc

1 April 1980]

[Continued

**SALE OF COUNCIL HOUSES****Questionnaire for Local Authorities****A FINANCIAL ASPECTS***Questions*

- (i) What evidence is available of the likely extent of sales if a statutory right to buy is enacted? If your view is based on an analysis of tenants' incomes, ages and other characteristics please provide details.
- (ii) What overall financial gain or loss is anticipated to result from sales at the discounts provided for in the Housing Bill?
- (iii) What differences are anticipated in the financial effects of sales of dwellings of different ages and types?
- (iv) Are any indirect financial effects expected to result from sales (e.g. increased or reduced need for area improvement policies)?
- (v) What evidence is available on the reduction in management and maintenance costs due to sales?
- (vi) What is the likely scale of the loss of re-lets due to sales, and when will this loss occur?
- (vii) What is the extent of the anticipated need for replacement of dwellings sold, by building or purchase? (Please relate this, if possible, to the Housing Strategy Appraisal prepared for your HIP, or to any other housing strategy statement prepared by your authority.)
- (viii) What is the known or anticipated extent of sales of flats under leasehold arrangements? What gains or losses to the authority are known or anticipated in these cases? What difficulties are known or anticipated in the case of such sales?
- (ix) To what extent is it anticipated that the provisions of the Housing Bill for the 2-year options to purchase will be taken up? Is this expected to give rise to problems?
- (x) What gains or losses are known, or anticipated to accrue,
  - (a) to tenant purchasers;
  - (b) to tenants who do not purchase (i.e. through increased or reduced rents)?
- (xi) What evidence do you have of the difference between rents and initial net mortgage payments on dwellings likely to be sold?
- (xii) What effects do you expect on the market for owner-occupied houses in your area?
- (xiii) Can sales of council dwellings contribute in any way to the prosperity of the local economy, e.g. by relieving labour supply constraints?
- (xiv) What proportions of households will qualify for mortgages and discounts and what are the implications for the numbers and pattern of sales?

**B SOCIAL ASPECTS***Questions*

- (i) What properties do you expect will be sold under the new legislation? What impact do you expect sales to have on housing estates and especially unpopular and difficult to let estates?
- (ii) What is the current demand for council housing in your area? How many households are on the waiting list and how representative is this of need?
- (iii) What is the trend in the availability of properties for letting?
- (iv) What effect do you expect the sale of council houses to have on demand for council housing and your ability to meet it? In particular, what impact do sales have on households on the waiting list and on the homeless? Are there particular consequences for special groups, viz, the elderly, disabled, handicapped, single parent families, low income households, ethnic minorities?



*1 April 1980]**[Continued*

- (v) What effect do you expect the sale of council houses to have on those seeking transfers? If possible, please relate your answer to quantitative information on the size of the transfer list and the rate of transfer and to your transfer policies.
- (vi) What are the characteristics of tenants who have bought their dwellings in the past (in terms of age, household structure, income employment status, etc)? How do these characteristics compare with those of tenants in general?
- (vii) What effect does/will the sale of council houses have on the effectiveness of housing management and on the quality of services to tenants?
- (viii) What evidence do you have on the extent of the problems of default by tenant purchasers? To what extent have you repurchased from tenants and what difficulties and costs has this involved?
- (ix) What consideration has been given to the impact of sales on other policies and programmes, e.g. Employment, Inner Cities, Social Services and Education?
- (x) What is the impact of sales on local planning strategies, e.g. concerning local needs, second homes, retirement migration and employment and other objectives in planning policy?
- (xi) Are there any particular local advantages and disadvantages?
- (xii) (If New Town) How does the sale of new town-owned dwellings affect the various social and employment objectives of the new town?
- (xiii) Have properties been sold as vacant dwellings or below construction cost without discount? If so, how many? What is known of the characteristics of the purchasers?
- (xiv) Please give other details of the characteristics of any dwellings which have been sold (their age, size, type, desirability and spatial distribution). How are the characteristics of the public sector housing stock changing under this and other influences?
- (xv) What evidence do you have on the extent and timing of resales of former council dwellings?
- (xvi) When former council properties are re-sold what role do they play in the market? Do they form a low price stock of houses? Who buys them? What effect would you expect in future?
- (xvii) Is there any evidence of households not moving out of the Council Sector in order to buy because of the prospect of buying as a sitting tenant? Is there a loss of casual vacancies because of this?

#### C BACKGROUND MATERIAL

It would help to put your answers in context if you could help the Committee by providing the following background information.

##### *Questions*

- (i) What is the present size of the dwelling stock in your area and its tenure composition? How have these changed over the last 20 years?
- (ii) What estimates are available of future housing demand and supply by tenure in your area?
- (iii) Is it your current policy to sell council houses? If so, please give full details of your current sales policy.

1 April 1980]

[Continued]

## MEMORANDUM SUBMITTED BY THE LONDON BOROUGH OF SOUTHWARK

Environment Committee Questionnaire on Council House Sales  
Response by London Borough of Southwark

## A FINANCIAL ASPECTS

- (i) *What evidence is available of the likely extent of sales if a statutory right to buy is enacted? If your view is based on an analysis of tenants' incomes, ages and other characteristics please provide details.*

18 per cent of this Council's housing stock is in the form of houses — the remaining 82 per cent being flats and maisonettes. With flats and maisonettes, buyers would be faced with management and maintenance costs which they would have to cover through payment of a service charge. On average, rents presently cover management and maintenance costs but no more. This means that buyers of flats and maisonettes could be faced with service charges which exceed the rents they are paying at present. This could mean that a large proportion of our housing stock is unsaleable. On the other hand, a tenant might perceive that the prospect of a tax-free capital gain, enhanced by the discount at which he buys the dwelling, is sufficient to induce him to pay out on a mortgage in addition to a service charge equal to or greater than his present rent.

Presumably liability to heavy service charges would depress the value of a property. However, this Council has not carried out any exercise on valuation of flats and maisonettes. There is therefore no way in which the Council can at present give any estimate of likely sales of flats and maisonettes.

Some sample valuations have been carried out on the houses in the Council's stock. The valuations have come out in the range £26,000 to £35,000.

We have attempted to establish roughly what percentage of tenants could afford property at particular prices by using data on incomes which we gained from a household survey, the fieldwork for which was carried out in June 1975. We have updated these figures by multiplying the incomes by a factor of 1.8. This factor is based on the assumption that the rise in incomes in Southwark has been in line with national trends, and was deduced from data published by the Department of Employment in *Employment Gazette* (February 1980). This has enabled us to draw an estimated income profile for Southwark's council tenants as at December 1979. In order to take into account the effect of the two year option, a second profile has been drawn for December 1981. This is based on the assumption that incomes rise at a rate of 10 per cent per annum in 1980 and 1981. The graph is shown overleaf. It is based on total household income rather than the income of the head of household, in the expectation that most purchases of houses would be joint purchases, with mortgages based on joint incomes.

Table 1  
Typical 3-Bedroom Council Houses in Southwark  
Proportion of tenants able to buy

		a. 1979	b. 1950	c. 1975 Rehab	d. 1977	e. 1960	f. 1975 Rehab	g. 1920
a. Market value	£	35,000	27,000	26,000	30,000	30,000	27,500	32,500
b. Price (given 50% discount)	£	26,000*	13,500	16,000*	23,700*	15,000	16,000*	16,250
c. Required joint income p.a. for 100% mortgage	£	13,000	6,750	8,000	11,850	7,500	8,000	8,125
d. % tenants able to buy without 2 year option		—	18	11	—	14	11	10
e. % tenants able to buy with 2 year option		—	24	20	3	23	20	19

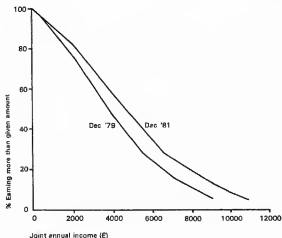
\* In these cases the price shown is the historic cost, below which the dwelling cannot be sold.

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[Continued

FIGURE 1

Estimated cumulative distribution of household income, December 1979 and December 1981



Source: 1975 Household Survey updated by a factor of 1.8 (Department of Employment)

Note: Incomes may have been underestimated by up to 10% in 1975. The graph has not been drawn to take this into account.

1 April 1980]

[Continued]

Seven typical 3-bedroom council houses in Southwark, selected to give a representative spread of age and location, have been valued. Using the income profiles in Figure 1 it is possible to estimate roughly what proportion of council tenants could afford to buy these houses. The estimates are set out in Table 1. The estimates are based on a 50 per cent discount. Thus they indicate in most cases what proportion of tenants could eventually hope to buy. In some cases the discount is limited by historic cost. In such cases, as the historic cost would tend to decline, in real terms, because of inflation the proportion of tenants able to buy would increase with time. Taking this into consideration, the estimates indicate that over a period of a decade, we could expect a little over 20 per cent of the houses to be sold. It will be noted that two-year option makes a big difference to the potential sales, increasing by about 60 per cent the percentage of people who can afford to buy.

The estimates are, of course, very rough and ready. We do not have information on the ages and incomes of people living in houses, as opposed to flats and maisonettes. Hardly any of these people are likely to be single and hence working wives, boosting the joint income, are likely to be heavily represented. On the other hand a proportion of the higher earners will be people over the age of 55 and hence unable to obtain a mortgage. It has not been possible in the time available to take these factors into account.

In conclusion, we could expect very roughly 2 per cent of the Council's stock of houses to be sold in any given year. This figure, however, is unlikely to be reached until two years have elapsed from enactment of the Housing Bill, as a large proportion of buyers are likely to take advantage of the two-year option. We can give no estimate on the likely sales of flats and maisonettes.

(ii) *What overall financial gain or loss is anticipated to result from sales at the discounts provided for in the Housing Bill?*

Calculations have been made for the seven houses referred to in the previous question, to show the financial effects of sales. The results have been set out in the tables below as follows:—

Table 2 Capital benefits statement.

- 3 First year revenue effect.
- 4 Effect after 20 years assuming a 50 per cent discount.
- 5 Effect after 20 years assuming a 20 per cent discount (for comparison of previous maximum discounts against those proposed under the right-to-buy).

These tables show that old dwellings with low debt charges will produce a long term benefit through sale, for the Housing Revenue Account. Recently built (1975 onwards) and acquired rehabilitated houses show long-term losses at whatever rate of discount granted. However, as shown in the answer to Question (i) these are less likely than the older dwellings to be sold immediately.

We have not yet attempted to combine the information on likely sales with the information on gains and losses on individual dwellings and so have not yet quantified the expected overall gain or loss. As both parts of the calculation are very sensitive to the assumptions fed in, it is doubtful whether the resulting forecast would have any real value.

(iii) *What differences are anticipated in the financial effects of sales of dwellings of different ages and types?*

The gains or losses will depend on the type and age of property sold or not sold. This is illustrated below for both revenue and capital purposes.

*Revenue*

a) In general, older properties have a lower historic cost, lower market value and a smaller subsidy entitlement. Older properties are more expensive to maintain, often require large-scale renovation and are more likely to be difficult to let. However, the

Table 2

## Capital Benefit Statement

	a 1979 3 Red Horses £      £		b 1982 3 Red Horses £      £		c 1995 Rehab 3 Red Horses £      £		d 1977 3 Red Horses £      £		e 1960 3 Red Horses £      £		f 1975 Rehab 3 Red Horses £      £		g 1998 3 Red Horses £      £	
a. Market value	35,000	35,000	27,000	27,000	26,000	26,000	30,000	30,000	30,000	30,000	27,500	27,500	32,500	32,500
b. Less discounts (50%/20%)	*9,000	7,000	15,500	5,400	*50,000	5,200	*6,500	6,000	15,000	6,000	*11,500	5,500	16,250	6,500
c. Sale price	36,000	28,000	15,500	21,600	16,000	30,800	23,500	24,000	15,000	24,000	16,000	22,000	16,250	26,000
d. Original cost	25,000	25,000	11,000	1,000	16,000	16,000	23,700	23,700	13,000	3,000	16,000	16,000	1580	500
e. Capital gain on historic cost (c-d)	—	3,000	4,500	20,600	—	14,800	—	1,300	2,000	21,000	—	6,000	15,750	25,500
f. Debt outstanding	25,000	25,000	500	500	14,500	14,500	23,500	23,500	1,500	1,500	14,500	14,500	—	—
Capital benefit (e-f)	200	2,500	4,000	20,100	1,500	10,300	400	700	10,500	19,500	1,500	7,500	15,750	25,500

\* In these years the price driven is the historic cost, below which the dwelling cannot be sold

\* Best estimate

Table 3

**Revenue Implications of Sales of Council Houses**  
**First Year Effects—F Class Houses**

	a. 1979 3 Bed House 50% 30% £ £		b. 1950 3 Bed House 50% 30% £ £		c. 1975 Returb 3 Bed House 50% 30% £ £		d. 1977 3 Bed House 50% 30% £ £		e. 1950 3 Bed House 50% 30% £ £		f. 1975 Returb 3 Bed House 50% 30% £ £		g. 1950 3 Bed House 50% 30% £ £	
<i>Savings Income</i>														
<i>Maintenance/</i>														
<i>Management</i>														
<i>costs</i>	474	474	295	295	209	209	474	474	209	209	295	295	295	295
<i>Maintenance-costs</i>	—	—	250	250	—	—	—	—	250	250	250	250	250	250
<i>Capital costs</i>	200	1,200	15,000	20,100	1,500	6,500	400	700	10,500	19,500	1,500	7,500	15,750	25,500
<b>Total</b>	<b>674</b>	<b>2,674</b>	<b>15,545</b>	<b>20,645</b>	<b>1,709</b>	<b>6,509</b>	<b>474</b>	<b>1,174</b>	<b>10,909</b>	<b>19,909</b>	<b>1,999</b>	<b>7,999</b>	<b>16,395</b>	<b>25,895</b>
<i>Lower</i>														
<i>Rate</i>														
<i>Subsidy</i>	793	793	488	488	438	438	809	809	474	474	370	370	370	370
	2,644	2,793	947	1,004	1,404	1,852	2,762	2,580	487	1,258	1,693	1,999	798	1,294
<b>Total</b>	<b>3,417</b>	<b>3,586</b>	<b>1,435</b>	<b>1,492</b>	<b>1,842</b>	<b>2,290</b>	<b>3,600</b>	<b>3,489</b>	<b>1,161</b>	<b>1,732</b>	<b>2,063</b>	<b>2,369</b>	<b>1,068</b>	<b>1,671</b>
<b>Profit</b>														
<b>Loss</b>	<b>2,773</b>	<b>894</b>	<b>12,510</b>	<b>19,123</b>	<b>103</b>	<b>4,219</b>	<b>1,826</b>	<b>2,815</b>	<b>9,748</b>	<b>18,157</b>	<b>40</b>	<b>1,596</b>	<b>13,327</b>	<b>24,147</b>

Table 4

**Revenue Implications of Sale of Council Houses**  
**7 Case Studies projected over 20 years—Discount @ 10%**

	Savings/Income				Losses				Total projected value	
	Net Capital Receipt	M/Prop/ Mortgage Costs	Modern Costs	Total	Rent	Subsidy	Residual Site Value	Total	Profit	Loss
a 3 Bed House—Newington	£ 200	£ 4,594	£ 1,818	£ 10,594	£ 12,808	£ 18,898	£ 563	£ 31,665		£ 21,701
b " —Horseshell	13,800	5,523	5,000	24,323	7,759	4,086	280	12,125	10,970	
c " —Salisbury Acq.	1,500	5,772	5,000	11,189	7,082	18,487	778	26,347		9,818
d " —Satchell	400	4,594	1,818	10,594	13,228	17,645	311	31,184		20,618
e " —Post war (1960s)	58,500	5,772	5,000	19,272	7,751	5,132	311	13,194	6,078	
f " —Salisbury Acq.	1,500	5,772	5,000	11,172	6,070	12,190	280	18,540		4,258
g " —Wilson Green	10,750	5,772	5,000	21,522	4,181	5,288	307	11,776	12,756	

H.B. The Profit/Loss figures shown above are totals for 20 years not annual figures and are discounted to present values

*Assumptions*

1. Cost inflation 10%
2. Interest Rates 12%
3. Maintenance Costs 11%
4. Rent Increases 10%
5. Modernisation (cost of subsidy) £5,000
6. Residual Site Value—10% of valuation
7. Subsidy loss calculated using formula proposed in the current Housing Bill.

Table 3

Revenue Implications of Sale of Capital Assets  
7 Case Studies projected over 20 years—Discount @ 10%

	Savings/Investment				Loans				Total present value	
	Capital Receipts	After/Maint. Costs	Modern Costs	Total	Rent	Subsidy	Residual Sale Value	Total	Profit	Loss
a. 3 Bed House—Newington	1,208	8,254	1,810	17,344	12,803	28,882	303	51,988		21,304
b. " —Pinebush	28,700	1,772	1,800	30,472	7,751	7,751	380	15,882	14,441	
c. " —Babsh. Acq.	4,800	1,772	1,810	12,688	7,142	13,888	250	28,280		8,288
d. " —Serrisell	700	8,254	1,810	10,764	13,228	17,777	311	31,316		29,452
e. " —Post war (1960s)	15,500	1,772	1,800	19,072	7,751	9,172	311	17,234	11,008	
f. " —Babsh. Acq.	7,300	1,772	1,800	10,872	4,000	14,887	380	21,267		4,395
g. " —Widens Green	28,300	1,772	1,800	30,872	4,181	9,668	320	18,169	18,085	

## Assumptions

Factors all as in Table 4



*1 April 1980]**[Continued]*

combination of low historic cost, and rising current rents often produce a surplus in the HRA. This surplus has a pooling effect when mixed with properties that have a deficit within the HRA. The removal of one group or the other could either improve or worsen the HRA deficit.

b) Newer property, i.e. that built during the late 1960's and early 1970's, also has a relatively low historic cost and attracts substantial subsidy. It is reasonably cheap to maintain (with exception of system-building failures) and the rents on these properties have risen in line with inflation so that only small deficits fall on the HRA.

c) Recent property 1975/1980 is a separate third category in that it has been expensive to build and the resultant loan debt, less increased subsidies, places a large deficit on the HRA.

#### *Capital*

a) In general terms the sales of older property will produce large capital benefits but these properties will attract the maximum discount and thus the capital benefit will be reduced. The pooling effect of properties with low historic cost is also lost.

b) The newer property sales could also produce capital benefits but discounts will also apply to these properties.

c) Recently built properties will produce small capital benefit and historic cost may well exceed valuation. If sold, the effect on the HRA deficit may be quite marked through the removal of large current deficit property.

#### *General Comments*

a) The removal from the authorities' property pool of those dwellings that make a net contribution to the HRA, will reduce the numbers of properties over which the fixed and semi-variable management and maintenance costs can be spread. Rents must therefore rise to retain the overall relationship between income and expenditure.

b) Older properties will be more expensive to replace assuming there is a continued demand from the Housing Waiting List.

(iv) *Are any indirect financial effects expected to result from sales (ie increased or reduced need for area improvement policies)?*

Desirable properties for sale are also desirable properties to let. As properties are sold, the percentage of hard-to-let properties will rise and the percentage of lost rent income through voids may increase against the rent roll.

If the demand for local authority mortgages increases and the procedures in the "right to buy" are followed, the administration costs of the mortgage scheme will rise and the ½ per cent addition to pool rates will be insufficient.

There could be an increased demand for area improvement policies and thus financial assistance through improvement grants and environmental improvement schemes. Sales would need to be concentrated in a small area for the need to arise.

Rates are collected along with rents for council dwellings, this avoids double billing and separate arrears recovery procedures. For properties sold the cost of rate collection, separate billing and accounting will be incurred.

In the longer term the question is raised as to whether all buyers will be willing and able to maintain their property in a reasonable state of repair. If not, the Council could well be involved in the "rescue" of properties which have been allowed to deteriorate to the point where major expenditure is required to restore them. Such a rescue operation could be uneconomic for a private owner. Thus, the right-to-buy could lead to the dissipation of community assets which could prove very expensive to restore.

*1 April 1980]**[Continued]*

- (v) *What evidence is available on the reduction in management and maintenance costs due to sales?*

Flats generally cost more to maintain and manage than similar aged houses, e.g. flats have lifts, caretaking, communal lighting, etc. As sales can be expected to occur predominantly in bouses, average management and maintenance cost per unit on the remaining stock will be increased.

Where a house is sold, management costs are unlikely to be reduced until a large number are sold within a relatively compact area.

At present a staff ratio of 1 Estate Officer to 750 dwellings is used to determine staff levels in a Housing district.

It is suggested that management and maintenance will be harder and possibly more expensive on estates of mixed public/private ownership.

Purchasers could prove more demanding than tenants, and there could be conflicts of interest.

If it is predominantly the best properties in the most favoured areas that are sold, this will obviously reduce the possibility for tenants on unpopular estates to transfer to better property.

There has always, up till now, been hope for tenants to transfer to something better. Although it is recognised that the actual number of re-lets lost may be small, the realisation that it is mainly the better properties that are being sold will kill the hopes of many tenants. The result could be increasing frustration among tenants leading to more social problems, more intensive management and hence higher management costs.

- (vi) *What is the likely scale of the loss of re-lets due to sales, and when will this loss occur?*

Re-lets, net of transfers, are currently running at about 2.2 per cent of the stock per annum. This must be seen in the context of a stock that has been rapidly rising in recent years, which must mean that a high proportion of tenants are people who have been allocated a council tenancy fairly recently. In view of the virtual ending of the new-build programme, we can expect the percentage of re-lets to rise to perhaps 3 per cent, as existing tenants grow older. Ignoring the transfer of GLC estates, 3 per cent of Southwark's 38,000 properties is about 1,140 re-lets.

If we assume that very few flats are sold, but that 2 per cent of houses are sold each year (i.e. 0.36 per cent of the stock as a whole), after 20 years about 6 per cent of the whole stock will have been sold. (This assumes that it is 2 per cent of the remaining stock of houses that is sold each year.) Eventually this will affect re-lets. For instance, after 40 years the effect of the first 20 years of sales may be fully worked through, giving a loss of 6 per cent of re-lets. This represents about 68 re-lets a year.

- (vii) *What is the extent of the anticipated need for replacement of dwellings sold, by building or purchase? (Please relate this, if possible, to the Housing Strategy Appraisal prepared for your HIP, or to any other housing strategy statement prepared by your authority.)*

If the estimate of likely sales set out in answer to Question (i) proves near the mark, the need for replacement is likely to be modest and justifiable in qualitative rather than quantitative terms. The principal reason for Southwark's new-build programme is to provide better housing, i.e. houses with gardens, for families at present housed in high-rise blocks. The cut-back in the Housing Investment Programme is likely to have a rather more serious effect than the right-to-buy. It is more difficult via the Housing Strategy Appraisal, to justify a qualitative housing gain than a quantitative gain. The cost of failing to make this qualitative gain is in terms of suicide, baby battering, domestic violence, vandalism and crime and mental illness generally and this does not show up in statistics related to housing.

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[Continued]

Southwark's strategy has been to provide more houses with gardens and to make them available to families unsuitably housed, without regard to their income. This was likely to lead to a numerical surplus of housing in Southwark and this surplus could have been used to relieve housing stress in other boroughs and to go a little way towards meeting the enormous demand from single people.

Even without the right-to-buy and the cutback in HIP allocations, Southwark would have been unable to meet the demand for houses, as opposed to high-rise flats, from families in the Borough. The right-to-buy will mean a widening of the gap between demands and resources for people on modest incomes. There seems no possibility of replacing the dwellings sold.

- (viii) *What is the known or anticipated extent of sales of flats under leasehold arrangements? What gains or losses by the authority are known or anticipated in these cases? What difficulties are known or anticipated in the case of such sales?*

As we have said in answer to Question (i), 82 per cent of Southwark Council's stock is in the form of flats and maisonettes and this will rise to 85 per cent with the takeover of the GLC stock on 1 April. Undoubtedly some will be sold but it is impracticable to estimate the likely number of sales.

The difficulties are likely to be considerable, particularly as the landlord's obligations on the upkeep of the block are unusually onerous, involving virtually a ten-year guarantee. This means that for every first flat sold in a block, a structural survey, covering most of the block, will be required to protect the landlord's interest. Any proposals for major maintenance or improvements to the block could involve expensive negotiations with lessees' professional advisors and the Council could be exposed to litigation to an unprecedented degree.

A lease will have to be drawn up afresh for every block where a dwelling is to be sold for the first time and financial arrangements to cover management and maintenance costs will have to be worked out. New arrangements will have to be put in hand for the calculation, collection and accounting of service charges.

Schedule 15 of the Housing Bill makes it obligatory for a local authority, where flats are sold on an estate or in a block, to calculate and substantiate service charges for each and every flat sold. Although it is right and proper that the purchaser of a flat in the public sector should not be at a disadvantage compared with the private sector, the present proposals will inevitably result in the recruitment by local authorities of more technical and administrative staff, especially if the number of flats sold is substantial. The Housing Revenue Account of a local authority does not at present allow for individual flat costing, and all computer programmes, etc., will have to be amended so as to permit individual flat costing. In addition, council estates are more complex than private estates and involve district heating, walkways, playgrounds, etc., and the individual apportionment of costs in these elements will be virtually impossible. The disadvantages of Schedule 15 could be overcome to some extent if the unit cost of Management and day-to-day repairs was included in the lease and index linked for inflation. The unit cost could be limited to the average unit cost of properties included in the Housing Revenue Account. The problem of major repairs could be overcome by individual costing of the specific defect, which would not be difficult. Indeed, such repairs might not affect the individual flats sold.

- (ix) *To what extent is it anticipated that the provisions of the Housing Bill for the 2-year options to purchase will be taken up? Is this expected to give rise to problems?*

Table 1, provided in Answer to Question (i), demonstrates the value of the 2-year option to a would-be purchaser. We would estimate on the basis of that table, that about 40 per cent of sales will involve the 2-year option.

A prudent person exercising the option will bring pressure to bear on the Council to have as many repairs, etc., as possible carried out prior to purchase. This will increase management involvement.

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[Continued]

(x) *What gains or losses are known, or anticipated, to accrue.*

- (a) *To tenant purchasers*
- GAINS**
- (i) With the discounts available the policy gives the tenant the opportunity to become a homeowner when he might not otherwise be able to so.
  - (ii) A tenant acquiring a dwelling is more likely to carry out improvements, to bring individuality to the property and is generally more likely to be actively concerned about maintenance.
  - (iii) Though no further subsidy is payable by the local authority, the purchaser has the benefit of tax relief or option mortgage subsidy. On an older property this is likely to be greater than the government subsidy on a council house.
  - (iv) The purchaser will acquire an appreciating asset.
  - (v) When the property is purchased under the right-to-buy the tenant purchaser receives an asset without any immediate payment, a far more advantageous position than that of a private purchaser in the normal house-buying market. It will enable the purchaser to have the capital as a deposit on his next purchase.
- LOSSES**
- (i) Home ownership does represent a large financial commitment for the tenant. The combined outgoings of mortgage repayments, repairs, maintenance, insurances, etc, will be greater than the payment of rent, particularly in the early years.
  - (ii) Where an authority's housing revenue account operates with a substantial deficit, the tenant purchaser loses the local subsidy from the rates.

(b) *Tenants who do not purchase*

As Management costs will not fall in direct proportion to sales, with a decreasing housing stock, these costs will be spread over a smaller number of dwellings. If the proportion of cost per dwelling covered by the rate fund contribution is to remain constant rents will have to increase to cover the increased management cost per dwelling.

(xi) *What evidence do you have of the difference between rents and initial net mortgage payments on dwellings likely to be sold?*

From a small sample of properties the following tables have been prepared.

Table 6

Age of Property	Valuation Less 50% Discount*	Net Mortgage Repayments after Tax Relief £ per week	Current Rent £ per week
a) 1979	*26,000	47.74	9.85
b) 1950	13,500	24.79	9.38
c) 1975 Rehab	16,000	29.38	8.42
d) 1977	*23,700	43.52	10.36
e) 1960	15,000	27.54	9.11
f) 1975 Rehab	16,000	29.38	7.12
g) 1920	16,250	29.84	7.27

\*Maximum discount is limited by historic cost.

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[Continued]

Table 7

Age of Property	Valuation Less 20% Discount	Net Mortgage £ per week	Current Rent £ per week
a) 1979	28,000	51.42	9.85
b) 1950	21,600	39.67	9.38
c) 1975 Rehab	20,800	38.20	8.42
d) 1977	24,000	44.08	10.36
e) 1960	24,000	44.08	9.11
f) 1975 Rehab	22,000	40.40	7.12
g) 1920	26,000	47.74	7.27

There is a large difference between payment of rent and payment of a mortgage, whatever discount rate is chosen.

Under the authority's mortgage scheme an advance of £20,000 presumes a gross income of £8,000 for a single purchaser.

- Notes: 1. Mortgage repayments are over 25 years with interest at 13 per cent.  
 2. Tax relief is calculated at 30 per cent on the total repayment, as principal in year 1 is negligible.  
 3. Rents are as the 1979/80 rent roll.

(xii) *What effects do you expect on the market for owner-occupied houses in your area?*

According to the estimates under Question (i) we could expect about 1,650 sales of houses from the stock of this Council and the GLC in Southwark. At present about 11,000 dwellings in the borough are owner-occupied. Therefore sales of council houses are likely in 10 years to increase the stock of owner-occupied dwellings by 15 per cent to about 12,650. Sales of flats will increase it further. However, the impact on the market will be limited as it will be some time before the council houses sold will be available on the open market, and many of the tenant purchasers would not have been in the market were it not for the massive discounts.

A much greater impact will be felt in the short term through the enforced release of land for private developers by the GLC and possibly by this Council and the Docklands Urban Development Corporation as a result of the HIP cutback and the Local Government, Land and Planning Bill.

(xiii) *Can sales of council dwellings contribute in any way to the prosperity of the local economy, e.g. by relieving labour supply constraints?*

Sales of better quality Council dwellings in Southwark are likely to increase the diversification of tenure provided the sales are in sufficient quantity. Such a diversification is likely to encourage and retain professional and skilled people. It is possible that by this encouragement to key workers in Southwark, industry will be less inclined to move out.

(xiv) *What proportion of households will qualify for mortgages and discounts and what are the implications for the numbers and pattern of sales?*

Table 1, under Question (i), gives our estimate of the percentage of tenants who would qualify on financial grounds alone, for a mortgage on a typical house. We have done no analysis of lengths of tenancies and so cannot estimate eligibility for discounts.

It is clear from Table 1, that eligibility for a mortgage is going to be the main limited factor on sales of houses.

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[Continued

**B SOCIAL ASPECTS***Questions*

- (i) *What properties do you expect will be sold under the new legislation? What impact do you expect sales to have on housing estates and especially unpopular and difficult to let estates?*

As set out under Question A(i) we would expect about 20 per cent of houses, plus an unknown percentage of flats.

There are many tenants presently living in undesirable or unsuitable accommodation who will be either unwilling or unable to buy. Their prospects of moving to more desirable accommodation will be severely curtailed by sales, particularly if sales in reality exceed the estimate set out under Question A(i). Sales will reduce the choice both of type and location of properties to which people could transfer as properties in the more desirable districts will probably be sold first. As it becomes clear that the opportunities to move are confined to re-lets of not very desirable property may decline leading to social problems and a need for more intensive management. There will be increased demands for medical assessments as a way of gaining higher priority for a transfer.

On the other hand, low valuations might encourage people to buy flats on the less desirable estates, but this is difficult to forecast.

- (ii) *What is the current demand for council housing in your area? How many households are on the Waiting List and how representative is this of need?*

The Housing List in January 1980 stood at 9,839. This includes 788 to be decanted for slum clearance, redevelopment, closing orders or rehabilitation, 1,071 who do not necessarily live in Southwark but are registered under the system of quotas for essential and key workers, and 197 who are threatened with homelessness.

Of the remaining 7,783 who are registered on the "general needs" list, about 67 per cent are reckoned to be in serious housing need (mainly with a room deficiency). Thus about 5,200 households are in general housing need. About half of these are single people or childless couples.

- (iii) *What is the trend in the availability of properties for letting?*

Re-lets have recently been around 700-1,000 per annum. New build completions have been in the range 1,000-1,500 per annum.

Vacant acquired properties have added a further 100-300 per annum<sup>1</sup>. With the cutback in HIP allocations this is expected to reduce to about 1,500 lettings by 1983/84.

These figures do not include properties to be taken over from the GLC.

- (iv) *What effect do you expect the sale of council houses to have on demand for council housing and your ability to meet it? In particular, what impact do sales have on households on the waiting list and on the homeless? Are there particular consequences for special groups, viz, the elderly, disabled, handicapped, single parent families, low income households, ethnic minorities?*

If sales are mainly limited to houses and are on the scale as estimated in response to Question A(i), then the effect of sales on our ability to meet demands will be marginal, particularly as half the households in housing need are one and two person households. If sales substantially exceed our estimate however, the effect on meeting demands could be serious, particularly for low-income households, including single-parent families. The elderly and disabled are partially protected by the exemption from the right-to-buy. However, those not in need of specially designed accommodation will, like other vulnerable groups, be adversely affected by the diminution of the stock available for renting.

In view of the right-to-buy and the generous discount, council housing will be seen as a stepping stone to owner-occupation and demand for it can be expected to increase. Private tenants are left even more severely underprivileged than before.

<sup>1</sup> This has given a total of around 2,500 lettings net of transfers.

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[Continued

- (v) *What effect do you expect the sale of council houses to have on those seeking transfers? If possible, please relate your answer to quantitative information on the size of the transfer list and the rate of transfer and to your transfer policies.*

The transfer list as at January 1980 is as set out below.

Tenant's category		Number	%
1.	Special cases	14	—
2.	Medical need		
	Immediate	305	
	Urgent	1,887	
	Disabled	24	
	Sheltered	74	
	Sub total	2,290	(50)
3.	Overcrowding	1,211	(27)
4.	Gross under-occupation	890	(19)
5.	Management grounds	174	(4)
Total		4579	

Access to the transfer list is restricted to people with an approved need, usually medical or overcrowding. There were 1,817 transfers in 1979.

If sales of houses are in excess of the estimate given under Question A(i) the consequences for transfer cases could be serious — particularly for mothers in high-rise blocks suffering from nervous disorders. Such people would be included in the "immediate" and "urgent" medical need cases who constitute about half of the transfer list.

- (vi) *What are the characteristics of tenants who have bought their dwellings in the past (in terms of age, household structure, income, employment status, etc)? How do these characteristics compare with those of tenants in general?*

There have been no sales to date of existing council dwellings. However 47 houses have been built for sale. Details of the successful applicants are given in two Committee reports, reproduced here as Appendix A<sup>1</sup>.

It will be seen that for the St James's Road scheme, the average joint income among those applying for a council mortgage was £9,358. According to national statistics published by the Department of Employment (*Employment Gazette*, February 1980 p 177) the figure needs to be increased by 19.6 per cent to make it comparable with the income profile supplied under Question (i). This gives a joint income of £11,192 p.a. According to the profile, only 6 per cent of tenants have incomes of more than £9,000 and the percentage earning more than £11,000 is too small to be estimated with any degree of confidence in a sample survey. It can therefore be deduced that purchasers at St James's Road were untypical of council tenants in terms of income.

The percentages of council mortgagors in the two schemes who were professional/employer/manager appeared to be 17 per cent (Scylla Road) and 32 per cent (St James's Road). This compares with 9.4 per cent economically active people in Southwark as a whole. If we had statistics on Building Society mortgagors also, the percentage of professional/employers/managers would probably be increased still further.

- (vii) *What effect does/will the sale of council houses have on the effectiveness of housing management and on the quality of services to tenants?*

There will be some changes in the management of flatted estates which are partly owned and partly rented. It will be the policy of the Council to maintain the effectiveness of management despite the problems of managing mixed tenure blocks and estates and despite the increased management costs per dwelling.

<sup>1</sup> Not printed.

*1 April 1980**[Continued]*

- (viii) *What evidence do you have on the extent of the problems of default by tenant purchasers? To what extent have you repurchased from tenants and what difficulties and costs has this involved?*

Southwark's experience is limited to the two schemes at Scylla Road and St. James's Road of houses built for sale. The houses were put on the market in September and December 1978 respectively. Of the 47 houses sold, two have suffered defaults on payment and will be repossessed and offered afresh for sale. The reasons for the default were inability to meet the mortgage repayment and divorce. The repossessions are complex and costly but figures are not yet available as the default and resale procedures are not yet complete.

- (ix) *What consideration has been given to the impact of sales on other policies and programmes, e.g. Employment, Inner Cities, Social Services and Education?*

No detailed consideration has been given to this.

- (x) *What is the impact of sales on local planning strategies, e.g. concerning local needs, second homes, retirement, migration and employment and other objectives in planning policy?*

Widespread sales might have the effect of reducing outward migration in that people who wish to buy a house at present often have to move out of Southwark to find anything at a price they can afford. In the long term the greater availability of houses on the open market will allow a greater degree of inward migration. However the effects of this will not be felt for a very long time — perhaps 30 years — unless sales in the early years greatly exceed the estimates.

Second homes are not an issue in Southwark at present. It is conceivable, again in the long term, that flats in desirable blocks will become second homes for people, say, working in the City but with their main homes in the country.

- (xi) *Are there any particular local advantages and disadvantages?*

The original programme of building houses for sale was justified, on the grounds that it was catering for people's preferences and hence helping to encourage people to remain in Southwark. This, it was felt would help maintain a stable community. Although the right-to-buy have a similar effect, sales will not be under the direct control of the local authority and will do nothing to meet housing need. Any beneficial effects will be more than offset by the cutback in the Housing Investment Programme.

- (xii) *Not applicable (New Towns only).*

- (xiii) *Have properties been sold as vacant dwellings or below construction cost without discount? If so, how many? What is known of the characteristics of the purchasers?*

47 houses have been built for sale and sold. Selling price was the historic cost which was slightly below market value.

- (xiv) *Please give other details of the characteristics of any dwellings which have been sold (their age, size, type, desirability and spatial distribution). How are the characteristics of the public sector housing stock changing under this and other influences?*

The 47 houses were all 3 bedroom 5 person houses of timber-frame construction, faced with brick to give a traditional appearance. They were built in two developments, one of 19 houses at Nunhead (SE15) and the other 28 houses in Bermondsey (SE16).



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[Continued

- (xv) *What evidence do you have on the extent and timing of resales of former council dwellings?*

There have been no sales except for the 47 dwellings built for sale, and no known resales.

- (xvi) *When former council properties are re-sold what role do they play in the market? Do they form a low price stock of houses? Who buys them? What effect would you expect in future?*

There is no past experience in this authority.

- (xvii) *Is there any evidence of households not moving out of the Council Sector in order to buy because of the prospect of buying as a sitting tenant? Is there a loss of casual vacancies because of this?*

There is no evidence at present.

### C BACKGROUND MATERIAL

- (i) *What is the present size of the dwelling stock in the area and its tenure composition? How have these changed over the last 20 years?*

Table 8 below shows the housing stock in Southwark in April 1979 broken down by tenure and compared with the situation in 1961. The figures are not strictly comparable, because the 1961 figures are based in households rather than dwellings. However, as the degree of sharing has been reduced very considerably in recent years the 1979 percentages for dwellings are only marginally different from the percentages for households. The very considerable shift from private sector to public sector shows up strongly however the figures are organised.

Table 8

#### Tenure changes since 1961

Tenure	% 1961	% 1979
Local authority, GLC, City of London .. .. .	32	65
Private rented (including housing association) .. .. .	57	22
Owner occupied .. .. .	11	13*
	100	100

Sources: HIP 1960-81, Census 1961.

\* Estimate based on National Dwelling and Housing Survey.

The total number of dwellings in April 1979 was estimated to be 92,420.

It should be noted that over this period, the number of households dropped from nearly 105,000 to under 88,000. Although there was an increase in the percentage of owner occupiers over this period, the number of owner occupiers appears to have remained constant at a little over 11,000.

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MR S T EVANS, MR J O'BRIEN and MR A G CORLESS

[Continued]

### Examination of witnesses

COUNCILLOR J H O'GRADY, Leader, COUNCILLOR C A SAWYER, Chairman Housing Committee, MR S T EVANS, Chief Executive and Town Clerk, MR J O'BRIEN, Director of Housing and MR A G CORLESS, Borough Treasurer, from The London Borough of Southwark, called in and examined.

#### Chairman

1. Good afternoon and thank you very much for coming. We are sorry that we have had to impose a considerable burden on the Council by first of all inviting the written evidence and then by asking for you to come and elaborate on it in oral evidence. To a certain extent, you have inflicted the wound on yourself in that we selected you to come and be our first witnesses because it was evident that the Southwark Borough Council had done a great deal of work in considering the questionnaire we submitted to it. You have given us an extremely interesting and stimulating set of replies and if our questioning this afternoon — as I hope it will — seems rather searching, it is not because we are in any way disparaging to the conclusions you have come to, but because in seeking to arrive at a report for this Committee, we obviously want to make sure the evidence we take aboard is evidence which would stand up to critical examination. I do not know whether any of you have previously given evidence before a Select Committee of the House of Commons, but I am certainly speaking for myself, and I think for all of my colleagues, when I say this is the first occasion we have received evidence as a Select Committee; and it is as much an experimental occasion for ourselves as it is for probably most of you. We are feeling our way as well. We are, however, very grateful to you for the trouble you have taken in the preparation of your evidence. There were certain particular themes which ran through your evidence which we wanted to test and explore rather more fully.

Our objective is to reach, if possible, an agreed conclusion on the issues we are investigating. However, as I strongly suspect, if I were giving evidence before a Select Committee, I would be trying to puzzle out which Party which question was coming from, I think it would be helpful for you to know that we on this occasion are sitting with Labour Members on my left and Conservative Members on my right.

The themes we wanted to pursue are, first, the question of why you consider that the number of sales will be so small; and, to indicate where we wish to go from

there, we want to examine rather more closely the financial implications of the sales in your calculations; and thirdly, as a main issue, the problems you foresee about the sale of flats and the difficulty of implementing Schedule 15 of the Bill; and various other matters which may emerge in the course of questioning.

Perhaps I can start off by saying that from your evidence you conclude that only two per cent per annum of the houses would be sold. That means an annual sale of about 135 houses. In your evidence you say that the St James's Road scheme alone received 329 applicants. Can you explain to us whether there is any contradiction between the response you received in respect of the St James's Road scheme and your assessment of the overall ultimate sales under the Bill, and can you tell us, secondly, to what extent you have had enquiries since the Housing Bill was published?

(*Coun. O'Grady.*) We will attempt to assist you as far as we are able in all the matters which you ask us but quite a wide range of this is an experience for ourselves. We have not previously attempted the sale of council houses. We have not been involved in it and much of the work that we have done has been experimental to that extent, although we are learning fast.

(*Mr O'Brien.*) I must say following what the leader has said that we are crystal-ball gazing to a very large extent but trying to crystal-ball gaze with a little research at the same time. You ask me how do I reconcile really our forecast of sale of council housing with the Build for Sale scheme that we marketed last year. I believe that was the first question. The housing for sale scheme was made available to all public sector tenants in Southwark, whether they were Southwark tenants or GLC tenants, together with anybody who was registered on the housing list or affected by any proposals for redevelopment or rehabilitation, so that that is the sort of person that we were looking at. We estimated that that could involve as many as 70,000 households who could be eligible to apply for these built for sale dwellings. 329 people who actually applied for the housing for sale

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[Continued]

[Chairman Conid.]

scheme in St James's Road represented 0.47 per cent of the people who were eligible to apply if they had wanted to. According to the written evidence that we put in on the likely extent of sales, we took a period of 10 years and said that in that period about 20 per cent of the houses — and I emphasise we are talking about houses, Sir, and not flats — would be sold as a result of a right to buy at two per cent per annum. This is over four times the rate of sales suggested by the building for sale scheme but we feel that the very generous discounts which are on offer together with the two year option justify us our thinking that two per cent per annum is there or thereabouts, but we could be proved very wrong.

2. To what extent is this based on your assessment of the incomes of tenants, on the graph which you have prepared, page 5 of your evidence, which represents an updating of the survey of tenants' incomes some years ago?

(Mr O'Brien.) Very much so, Sir. I think it is right to say, when we did the household survey in 1975 — and that was a pretty in-depth household survey, one of the few that has been undertaken — we were surprised, I think it fair to say, at the level of income that that disclosed. We knew we were a low income area but we were rather surprised at the result. We have updated it, as you see, by the 1.8 factor and certainly even taking joint incomes into account and the property values that are in an inner city area such as Southwark, all those factors coming together tend to make us believe that the people just will not be able to afford to buy.

3. Have you taken account of the extent to which a couple who, when their children are aged 12 or 13, would not be able to afford to buy, but may move into the category of being able to afford to buy when their children start to earn, and while they themselves are still some considerable distance from retirement age? In other words, does income and capacity to purchase vary during the life of any particular family?

(Mr O'Brien.) I think that is true to an extent but once again you are starting even then with a fairly low income base basically and it is really in this crystal ball that we see no evidence that at the moment that will occur, but it could do. I cannot deny it.

4. As far as I can see it on the graph, there would be a medium joint annual

income of about £3,800 for 1979. That is only about half what the average London household joint income would have been for that year but on the final page of the submission, where we have the analysis of incomes, it is suggested the average joint income is £9,358 per annum and I have not been able to find where the link comes between those figures.

(Coun. O'Grady.) The final pages of the submission refer to the actual purchasers of the houses in the St James's Road scheme and not to the mean for the borough and that is why we suggest the purchasers of the houses for sale are by no means illustrative of the ability of people within the borough to purchase.

5. Is the fact that your joint average income overall is about half of what the Greater London is because you have an undoubtedly high proportion of retired tenants in Southwark?

(Coun. O'Grady.) This has a great deal to do with it. Our percentage of retired persons is very high and I think our percentage of single retired persons or widowers is probably the highest in London.

(Mr Evans.) I think also we have a very high proportion of unskilled people in the borough. That is another major factor contributing to the fact that the average household income is, as you say, only half that of the GLC average.

Mr Johnson-Smith

6. Can I ask a question related to income? It is a question of the market value. It seems to me looking at it — I am obviously not conversant with London values in Southwark — that they are rather higher than I would expect, £35,000 being the market value for a three-bedroomed council house. Is that a 1979 price and the discount at £26,000? I am only comparing that with what I would find in the northern areas of Sussex which is meant to be pretty highly priced.

(Coun. O'Grady.) I think the average we have illustrated, £26–35,000, is not an unusual level for properties in London, particular in Inner London. The cost of development is extremely high as we are finding with our current applications to the Department of the Environment for approval to new schemes where we just cannot develop within their yardsticks. This, I think, while having an effect on the general cost of property, also affects the average market price

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[Continued]

[Mr Johnson-Smith Contd.]

in London. I think in the Inner London boroughs particularly there is a relative shortage of houses for sale compared with suburban areas, and in Sussex and so forth, and this can affect the market value quite markedly.

7. I would like to follow this up, to know how it is arrived at, this value. In the Sussex and Surrey areas, where there has been a tremendous expansion of housing, there is by no means any surplus of land and there is a very high price being asked for it. One could possibly say that the total value for a new house built for sale, taking into account the profit for the builder, the cost of land, is probably higher than some of the suburbs in London now for a variety of reasons, partly some people want to move out of the inner areas. There is considerable competition to purchase those houses and a 3-bedroom house in a private estate would certainly be in the range of £30,000 to £40,000, and here I am finding properties on a council estate coming not far short of that. I am surprised, therefore, that it is quite so high.

(Mr O'Brien.) If I could come in, Mr Chairman, these figures were valued by our valuer, the Borough Valuer, and I may have had a similar sort of feeling, so I pressed it a little and I was assured that the undiscounted value is representative of about 85 per cent of the private sector in Southwark. One must remember, I think, that 70 per cent of all residential property in the borough is municipally owned and, if you take a 50 per cent discount, then it would be about 10 per cent to 20 per cent of the properties in the borough that would be at the discounted price.

Mr Scott

8. Of the potential purchasers how many would actually want 100 per cent mortgages? In general it seems to me over the country about 30 per cent of the purchase price is found from other sources than mortgage finance. Would you think that would be broadly true in terms of Southwark?

(Mr O'Brien.) I do not believe it is true in the broad sense of Southwark; it may be true. We have no way of telling what the savings of the tenants are but, bearing in mind the number of rebates, bearing in mind the other evidence of low income (and if it is a low income savings are a little difficult to come by), there certainly will be a percentage that will be unable, in fact, to

put something down on the mortgage. I would agree that if they can put down £2,000 or £3,000, then the percentage that could afford to buy would in fact rise, but it is one of those crystal-ball ones, Mr Chairman.

9. We are talking about people, are we not, who are earning £9,500 on average, we are talking about the successful applicants for the development. Updated with the movement of earnings we are talking of people earning £12,000 to £13,000 a year at today's earnings. That sort of applicant might very well be able to have some savings and be able to put down a deposit.

(Mr O'Brien.) They would be well within our 2 per cent. What we are talking about is 0.47 per cent that came within or anywhere near that sort of level.

10. We are quadrupling that, in effect?

(Mr O'Brien.) Quadrupling it, in effect.

(Mr O'Grady.) \*Thirty per cent of our tenants are in receipt of rebate.

11. But many of those are retirement.

(Mr O'Grady.) One-third of our tenants are in receipt of rebate.

(Mr Marshall.) Can I briefly move on to flats?

Chairman

12. Before we move on to flats there are a couple of points I want to check. You said the evaluations — and certain examples were given — were provided by the Borough Valuer. Have they been checked by the District Valuer?

(Mr O'Brien.) Not to my knowledge.

(Mr Evans.) But they are being checked now. If there are any significant differences we could put in a paper on that.

(Chairman.) We would be grateful if we could have a written note on that.

Mr Miscampbell

13. Directly on that point, Mr Chairman, is there any element of price increases because of the very small private market that is available in Southwark? Obviously your Borough Valuer will have that in mind, it is a simple matter. Has any consideration been given to the fact that you must have very few private houses coming on to the market in Southwark by the very nature of your 70 per cent municipalised ownership. Do you think there is any element of

\*Witness stated subsequently that thirteen per cent was correct figures.

† Printed on a page

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[Continued]

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increased prices because there is little housing in the private market? Do you think if this market were opened up by municipal houses coming on to the market you could make any material —

(Mr O'Grady.) I see your point. It is difficult to say whether this will have an effect, but you cannot take individual London borough boundaries as having the effect on price that you refer to. Generally we find in London the prices in Southwark are not a great deal different, particularly in the inner areas.

14. Are there any areas in which there is pressure for people to buy into the private sector, as we have seen in Islington and places like that which have been rather different socially up to, say, twenty years ago and there has been a change with the private owner coming in. Have you got that in Southwark? I should know.

(Mr O'Brien.) We have such areas because of the proximity to Westminster.

Mr Dobson

15. Have you any evidence as to the proportion of those purchasers who are institutions rather than individuals buying?

(Mr O'Brien.) No, Sir, we have no evidence of that at this moment in time. Mr Chairman, you did ask a second question. I do not know whether you want me to answer it. You asked me about the number of inquiries that we have had. Since the Government announced the Bill we have had 115 inquiries, since the Bill has been published we have had 25, and since February and March of this year we have had 11. But nearly half of the inquiries came in May and June of last year at the time of the election.

(Mr O'Grady.) It may be helpful to say there are 23,000 GLC properties in Southwark. They have had a house sales scheme for some time now, 79 of their properties have been sold while that scheme has been in operation for something approaching three years.

Chairman

16. That represents completions. Do you know how many are in the pipeline?

(Mr O'Brien.) They are completions. We have now taken over as from today.

(Mr O'Grady.) We have taken over the GLC properties from today. They will become subject to whatever the Act requires of us, but no longer is the GLC scheme for sale available, but 79 out of

23,000 properties have been sold by the GLC in three years.

Mr Johnson-Smith

17. Still on housing as opposed to flats, paradoxically it would be the case that those in the higher income brackets who are council tenants might wish, if they are considering purchase, to think of moving out of the borough. I put this question because Mr Miscampbell suggested people might move into the borough, particularly those who have jobs in Westminster — I can understand why. There can be an occasion when the thing works the reverse way.

(Mr O'Brien.) I thought you might ask that one, Sir. We did a survey of movers out of Southwark in 1975, we have not updated it since then, but the 55 per cent of all people moving out were moving out in order to obtain better housing: 19 per cent of the 55 per cent did not really want to move out of Southwark but had no alternative in their view, but 33 per cent wanted to move out and would not have bought in Southwark even if they could; 28 per cent of movers out said that they wanted to live in a nicer area, which is understandable; and 10 per cent of all — I am sorry, I should not have said that. Ten per cent of all movers out did not want to continue renting. One of the most important factors was that 15 per cent and more considered that the accommodation they were in was too small. In fact, that led to a change of policy on the Council to grant additional rooms upon initial lettings. I suppose one of the interesting points in that was that 13 per cent of them were owner-occupiers anyway. Fifty per cent wanted to be owner-occupiers of the ones that moved out and it was their first move into owner-occupation.

Mr Winnick

18. I am particularly interested in your analysis of housing stock. As I understand it, 18 per cent (this is apart from any transfer of GLC property which takes place incidentally today) of the housing stock is in the form of houses. Can you tell us how the tenants got there in the first place? Was it because they were rehoused into houses or because their families had lived there previously and they took on the tenancy?

(Mr Sawyer.) Most have been rehoused through need on the normal waiting list, immediate transfer, particularly medical cases, basically through need.

19. Since the number of houses is so

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[Mr Winnick Contd.]

small compared to the 82 per cent of flats and maisonettes, I am just wondering why they managed to get into houses. Was it, as you imply, because of the medical priority or what?

(Mr Sawyer.) Fortuitous in many cases because of what stock was available for particular sizes of family in fact being dealt with from the housing waiting list. Whenever possible we always try to occupy houses with families with children.

(Mr O'Grady.) I do not think the 18 per cent gives a true picture. During the enormous rush in the late 1960s and early 1970s to build units of accommodation Southwark was in the forefront of development and we probably developed at a faster rate than anyone. We realised, probably too late, that we were building the wrong type of development for the people and for the last five years we have built only houses, apart from old people's warden-controlled flats and so forth. So a large percentage of that 18 per cent relates to new properties that we ourselves have built under our revised programme to provide houses with gardens. So they are new tenants of those, they are longstanding residents of the borough who have been given accommodation, normally families with children under our normal housing allocation scheme. They did not arrive there by accident, so to speak, or by mystery; they were allocated under our normal procedures.

Chairman

20. Is that the reason why the examples you have given tend to show a bias towards post-1975 houses? We are anxious obviously to try to ascertain the extent to which the examples and experience of Southwark are characteristic of the country as a whole. It did strike Members of the Committee when considering the evidence that the sample of houses you had given did present a bias towards the post-1975 houses. Would you agree that is not likely to be particularly characteristic of the country as a whole?

(Mr O'Grady.) Certainly not the country as a whole. The pressure on London for high density development was immense and this was not the case in the country as a whole. London has suffered because of this, particularly the Inner London boroughs, but certainly the bias is caused by this switch on the part of the Council from flat and maisonette development into housing development. Although a number of small pre-war streets were Council owned, built

by the Metropolitan Councils, in proportion to the total they are very, very small indeed.

21. But are you satisfied that the sample of houses which you have presented to us as examples is representative of Southwark's housing, as distinct from flat, stock?

(Mr O'Brien.) Yes. We have taken the cottage estates right the way through.

Mr. Marshall

22. I would like to ask a question related to the number of houses. When you were talking about rebates you were talking about the generality of tenants and I think you gave a figure of 30 per cent of your tenants who were in receipt of a rebate\*. What is the actual breakdown between houses and flats and maisonettes? What percentage of your tenants in houses would be receiving rebates?

(Mr O'Brien.) I have no idea. I cannot answer the question.

23. It could be of significance, could it not, because with such a predominance of flats and maisonettes, if people are living in these houses you have built since 1975 and if many more of them are in receipt of rent rebates, many more than 30 per cent, it could well be hidden.

(Mr O'Grady.) Yes, this might be so because, one, they are generally applied to families with children who have a higher benchmark of rebates. The mother probably cannot go out to work, having young children, and therefore their requirement for rebate may be greater than the across-the-board figure for the borough, but I think there are a number of variations in this because generally speaking the flat dweller includes a very high proportion of old persons, retired persons, and particularly the single retired who invariably would be entitled to a rent rebate.

(Mr Sawyer.) I think it is also a factor that Southwark have never pursued a policy of actively encouraging people to move out of houses as they have aged and therefore I think that there are probably figures to show that many of our cottage estates and most of the older type of estates have longer standing tenants of 30 and 40 years' standing and there are many under-occupied buildings, certainly by elderly people living within those provinces.

24. Do you have an age profile of tenants in houses and flats?

\* See footnote on p.22

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[Mr Marshall Contd.]

(Mr Sawyer.) No.

25. Is it possible to get it?

(Mr O'Brien.) Anything is possible but it is certainly not easy.

Mr Dobson

26. I have one particular crude question which may not bring forth a crude answer; I hope it does not. I would like to know simply on your figures taken overall what percentage of your tenants you think can buy the homes they are living in at present?

(Mr O'Grady.) A relatively low percentage I would think. The question is not how many can afford to buy, bearing in mind that the Bill gives them the right to buy property in which they are currently living or in which they might subsequently be moved to, but how many of them will want to buy, whether they can afford to or not, and our view quite clearly is that those in houses are more likely to want to buy and a reasonable number of them, bearing in mind the previous question, will be unable to, and those living in flats will not want to even though they may be able to afford it.

27. I think I would accept Mr O'Grady's views on that but it does seem to me that some sort of estimate of the proportion of people who would be able to buy if they so wished would be very useful to the Committee even if we cannot get it from Southwark.

(Mr O'Brien.) We are saying 2 per cent per annum of houses will be sold and that takes into account income levels and everything else.

28. I am sorry; it is not the everything else I am interested in. We can all guess about people's motives and desires but with your survey of incomes and estimates of values I wonder whether it would be possible to ask Mr O'Grady whether he could ask his officials, at a later stage if necessary, to go away and send us something in. There ought to be a fairly crude series of calculations which would produce some figures on how many people could afford to buy if they so wished.

(Mr Evans.) I would doubt if we could do it beyond what we have given you because the unknown factor is what savings are there available in the family. We do not know and we would not presume to ask people that, and I think frankly that the graph you have been given in Table 1 is as far as we could usefully help you.

Chairman

29. Just in conclusion on that subject, have the various questions we have put to you placed any doubts in your mind as to whether that assessment in any way requires revision.

(Mr O'Brien.) Not to me.

Mr Miscampbell

30. Have you any time-scale on your annual 2 per cent? It is a running 2 per cent? Do you envisage this, that people will come into the borough one way or the other who will begin to buy, not necessarily who are static in the borough at the moment, and that 2 per cent of your sales is something that may go on for a number of years so that consequently one would find, say in 10 or 15 years of this scheme surviving, there would then perhaps be 10, 15 or 20 per cent of the borough who would in fact be in private homes.

(Mr O'Brien.) That is exactly the way we have it, on a 10-year period, and say that it is 2 per cent per annum.

31. You think perhaps a fifth of your homes at that stage might be bought?

(Mr O'Brien.) Yes.

(Mr O'Grady.) I think we might anticipate an early rush of enquiries which might fall by the wayside, but in the early years, first and second years in particular, I think the graph would show a higher figure than the average for the 5 or 10 years.

Mr Dobson

32. Could I come back to the point I raised? Are any surveys conducted by anyone on incomes and savings? You have surveys of incomes in the borough. Does anyone do surveys of savings?

(Mr O'Brien.) No. We tried it on the household survey we did in 1975 and it was a dead loss. People, whereas they would tell you their income in general terms, provided you put a big enough spread on it, will not tell you what their savings are.

33. Are there not national figures on savings?

(Mr O'Brien.) I have no knowledge.

(Chairman.) I do not think that is a matter for Southwark.

Mr Dobson

34. Sorry, Chairman, but we are talking about quite an important point: the desire to purchase a home if it exists and the capacity to do so. The value of a house or dwelling is one point and people's income

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[Mr Dobson Contd.]

and savings are another. There are national figures, I have always understood — it may be rather broad figures — which our advisers may be able to confirm, on the general level of savings for given bands of income, and perhaps it is something our advisers could pursue at a later stage.

(Mr O'Grady.) I take the point which is being made and I will discuss it with my officials, and if there is a possibility of our providing a better analysis of the detail that we have given in the form you require we will supply it.

(Chairman.) We would be very grateful for any supplementary evidence you could give us in the light of the discussion we are having this afternoon.

Mr Dobson

35. In case anyone should think otherwise, I am not in any way criticising the very valuable information that Southwark have provided. It is just that, like everyone else, I would like something different.

(Mr Sawyer.) I think in fact one of the points that was clear from the number of people requesting applications for the Scylla Road and St James's areas was that 1,100 people enquired asking for forms, and in fact at the end of the day, when the £25 deposit we asked for was part of the formal submission, that figure reduced to 329. I do not know whether you can draw an analysis from that.

(Mr O'Grady.) You have 329 people in Southwark who have saved £25.

Chairman

36. Can I turn to the question of flats? In your evidence you suggest that because of the level of appropriate service charge you would have to charge for flats, scarcely anybody would be interested in purchasing. It did occur to some of us that if the service charge is going to be so high the capital value is going to have to come down very low. Can you tell us whether any valuations have been done; or, if not, would it be possible for you to do some valuations for us of flats, taking account of the service charges that would have to be made. If those values are very low, would you consider that there is any likelihood that people would wish to purchase flats having regard to the low valuation?

(Mr O'Grady.) I am not sure that the service charge is so high. It just happened that our rents cover the cost of management and maintenance. Therefore we are in a position to be able to assume that roughly

the service charge which would be applied to properties purchased in given blocks would equate to the rent that they are currently paying. That is not to say that the service charge is so high. It is greater than the figure which is produced via the renting system. I think probably the Director of Housing has some views on this, of the particular complications that arise from sales of council properties in regard to the general servicing of them as part of council stock.

37. Would the Director of Housing like to elaborate on that?

(Mr O'Brien.) If I may. It is interesting that I did not say when we were talking about the number of people who had applied for the right to buy we had only 8 applications in respect of flats out of 115 that we have had in. I suppose that the flat element of the Bill is the one that certainly causes me the most concern, and in particular Schedule 15 which is, in my humble view, inoperable as at present drafted. It seems to me that if we are going to have a service charge directly related to a particular flat, then we are going to have to change the whole basis of housing revenue accounting because we do not allocate expenditure to a flat at the moment. We do, in fact, now allocate to an estate and then upwards to the housing revenue account, and that has taken us 2½ years to re-computerise to do that, so we are extremely worried at this element of it. Added to that, in the private sector it is the intention to sell, if you are going to sell a block of flats, the whole block and not to pepper pot it with the odd one or two, so that I have suggested that instead of doing it on an individual flat basis there ought to be an element of rough justice and that is that the average cost of maintenance and management of the Authority at the time the sale takes place should be in the lease and that should be index linked and it should not be permitted for that figure to be above the average that is included in the housing revenue account so as to prevent flats that might look to have a very high service charge putting potential purchasers off, and then in addition to have a sinking fund for the major repairs that will inevitably have to be made at some time in the future. That I should submit is a much simpler method which would not cause the tremendous aggravation that is going to occur if we are going to justify every item of expenditure on every single flat sold and



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then hope that every workman and every estates officer — and I have the greatest faith in them — is coding it to the right flat on an estate of 2,000 dwellings. One of the differences I think that is not recognised is that council flatted estates are totally different from private estates. Nobody in the private sector would dream of trying to sell flats on the sort of estates that councils have built with district heating, pedways, walkways, and there is no evidence anywhere in the private sector of such an estate being built — some people would say why have they not been — and certainly no attempt has ever been made to sell them.

Mr Winnick

38. As matters stand at the moment, and recognising the difficulties, to put it mildly, which would arise without any added clause in the Bill, if an individual bought a flat, would not the service charges which you say in your paper could well exceed the present rate, would not that be sufficient for the discouragement for a tenant of a flat not to buy?

(Mr O'Brien.) I have no doubt it would be and I think after they had had — and I think it would be very unwise not to have a surveyor's report — I think they would probably be very decided not to.

39. In your paper you say you could exceed the rate. Would you like to put a figure on—?

(Mr O'Brien.) Our average rent is about £10 at the moment, about £520 a year, and I would envisage the service charge on a typical flat being anywhere between £400 and £600 plus.

40. As much as that?

(Mr O'Brien.) Yes.

Mr Scott

41. You said that Schedule 15 was inoperable in your view?

(Mr O'Brien.) Yes.

42. Has any discussion taken place either between your Society and central Government or the local Government associations about a different schedule to cope with the problems of local Government sales and service charges?

(Mr O'Brien.) I have been negotiating on behalf of the AMA — with little success I think is the answer.

Mr Winnick

43. What I wanted to ask about flats is

about the pressure on tenants living, particularly in multi-storey accommodation, to move into houses. What is the position at the moment?

(Mr O'Brien.) Certainly we have a policy of moving young families from our taller blocks. Fortunately we have not got that number of tower blocks in Southwark. We have never had a policy of building tower blocks so our tallest block is probably 13 or 14 storeys and there are not many of those, but we have always had that policy. I am not so sure that in real terms it will make a tremendous difference but what the difference will be is that people have an expectation of it happening. Whether it happens or not they still have an expectation of it happening. The more houses we sell and are unable to replace under housing investment, the less hope they will have of ever being able to move into a house. I am not forecasting a tremendously heavy sale of houses at 2 per cent.

Chairman

44. Before pursuing that aspect of it and the social consequences, can I go back to the sale of flats? How strongly do you feel the consequences of the implementation of Schedule 15 are going to add to administrative cost of running the housing department? Is it a marginal increase, a major problem, or something that you regard as being almost minor? I am trying to assess the strength of your view that the arrangements in the Bill are unworkable.

(Mr O'Brien.) There will be a substantial increase in staffing if the sale of flats takes off. I do not believe it will do, but if it did, a comprehensive increase in staffing, not only administrative but also technical. I believe that the management will be 3:1 as far as our existing management is concerned and in that view I am supported by no less than the National Federation of Property Owners or something like that.

Mr Scott

45. What sort of percentage of annual sales would you think represented that breakthrough point, when you say "take off"?

(Mr O'Brien.) Once we have one or two flats in 20 or 30 blocks, that I would say was taking off, because then you have to start the whole process of recomputing, reprogramming, the lot.

(Coun. O'Grady.) I do not think it is in terms of the percentage of total sales. It is where they occur. If you have one in 100

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different blocks, that will cause absolute chaos and an almost impossible situation. If you have 100 properties with three or four blocks of flats, I do not think the problem arises to that extent. If blocks are sold completely, probably the problem can be overcome, except in terms of a fairly large estate where it is part of the overall development with the grounds and so on having to be maintained.

Mr Dobson

46. On Mr O'Brien's reading of Schedule 15, would he accept that he should be able to load the extra costs on to the costs allocated to the flats or would some of it fall on the rent payer or the rate payer?

(Mr O'Brien.) Most of it would fall on the rate payer. You can only charge the lessee an appropriate percentage and you may have had a computer program which could have cost £10 or £20,000.

(Coun. O'Grady.) One is working on market prices. Obviously you cannot take the market price and add administration costs to that, unless it can somehow be included in solicitors' legal costs which I very much doubt as they are on scale fees normally, but it will be a considerable difficulty for the individual boroughs involved in this under the present wording of the Bill.

Chairman

47. Can we now turn to the financial gains and losses? I found it a little difficult to follow some of the computations in Tables 2, 3 and 4. I can follow Table 2 all right but my difficulties arrive when carrying through from Table 2 to Table 4. We are trying to see the overall revenue implications. If we take the first example of the three-bedroomed house in Newington, where we have learned from Table 2 that the net capital benefit is £200; then under the figures of savings and income you take account of the management and maintenance costs and the modernisation costs; but you do not seem to take account, so far as what would seem to me to be relevant, the savings in debt charges which result from the fact that you have received the capital costs and no longer have to pay out interest on the money that had been borrowed, and which you would have been paying had you retained the house. Perhaps I have wholly misunderstood the figures but I would be grateful for your explanation.

(Coun. O'Grady.) This is one of the absurd situations we are in in this Bill. We

will not receive the capital costs. We will no longer receive rent; we will merely receive the repayment of a nominal mortgage at the value of capital costs. There is no passing of money to a borough when it sells a property. All it achieves is relief of certain responsibilities towards the maintenance of its previous capital debt which now passes to someone else.

(Mr Corless.) Perhaps I could try and assist on these rather complex tables. What we have tried to do as far as possible in presenting the evidence to you is to follow the lines set out in the Department of the Environment document issued in January this year on the appraisal of the financial benefit of council house sales. That is not to say that this will be of practical application but on the ground if and when we are selling houses. Neither is it the professional association's view as to how the kind of treatment should be undertaken but it follows that line. If you were to take the assumption that the persons who were buying these properties received their mortgages totally from a building society, did not rely on public sector funds in that way, then we would of course get the total money from the purchaser. Our first responsibility there is to get rid of any outstanding loan that we have on that property which has accumulated on the land since acquisition, construction of the property and any capital expenditure incurred on modernisation. If I could direct you to Table 2 and the first column since you referred to that particular property, effectively what we are saying there is that, because of the restriction on the discounts for such a new property, we would be selling at £26,000. There would be a £25,800 debt outstanding. We would have a responsibility to redeem that in the first place. Therefore, there would be £200 in that example benefit to the borough. So at that point we are taking out of the calculation any further repayments of principal and interest.

48. May I stop you there? I accept that, but if you had received all the money from a building society then you would pay the £25,800 back and have £200 in hand, but you would be relieved of a liability to pay £25,800 back over whatever remains of the 60-year loan period so you have been relieved of a liability there, and it seems to me that that should have appeared as a saving. Supposing it were a building society sale in the first place, that should appear as a saving in the figures in Table 4. Taking

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it as an assumption of a building society financed sale first —

(Mr Corless.) I think you are faced with the option either of showing a net capital benefit as one lump sum on day one of year one, or you have the annual savings of principal and interest throughout the remaining life. That will vary markedly in financial terms according to the age of the property, the life of debt outstanding thereon, and the actual sale price in question. But it was for that reason that I mentioned in my introductory comments that we have followed the guide-lines of the January 1980 publication to help your consistency of understanding of some of the financial figures. But I fully recognise that many of the figures in that way will change and I think that is part of the supplemental financial information we can provide\*, which my Chief Executive has already indicated we will be able to send along with anything else that becomes available that is being worked on at the moment. We accept in reality that is the true position in the local authority's accounts that would come along the lines you are indicating.

49. Thank you, but if I can take the alternative position of the sale being financed by a local authority mortgage — and I quite appreciate the impact this will have on the availability of HIP funds — if you have exchanged the £25,800 debt outstanding, (even if you are using your own money to provide for that) you have also gained; you may retain the liability to pay the interest on that debt but you have gained another asset, have you not, in the form of a debt due to you from the purchaser for the capital money; and that provides an additional source of income. To offset the fact that you still have to pay interest on your loan from Central Government, you are receiving interest payments from the tenant-purchaser. What I am concerned with is to ensure that we do have the relevant factors on both sides of the equation before we calculate what the difference is one way or the other.

(Mr Corless.) Certainly I recognise that. That is work that is being undertaken now at officer level to produce that type of information, but clearly we would have to make and are making the assumptions as to the life of the mortgage on those instances and the percentages that may be sought. I think from the evidence you have heard earlier from us it is more than likely that it would be towards the 100% end of the range. In

that instance one would just be swapping repayment of principal from the purchaser with redeeming our outstanding loan rate, albeit one does recognise the periods do not fully coincide. You will appreciate there is a 60-year loan debt period for new housing. That would go up further, say 70 or 80 years, and you would be talking about a 20 or 25 year mortgage.

50. You said that the basis you followed accorded with the Department of Environment's appraisal figures, but the Department of Environment's scheme does show the whole amount of the sales proceeds, not just the net capital benefit to be taken into account. At least that was my understanding — perhaps you will correct me.

(Mr Corless.) I think I would correct you, with respect, there because there is a statutory responsibility. We receive a capital receipt, the first charge is the redemption of the loan debt so there may be an argument for saying look at the position of the sale of a council house in isolation and one could well move down that gross position, but if one took the local authority's accounts as a whole and the financial position of that local authority, then one would have to reflect it in slightly different ways.

Mr Scott

51. If I remember the evidence as a whole, rents at the moment just about cover repair and maintenance on the properties and do not make any contribution to the repayment of capital cost, so if the rents and maintenance can be transferred to the purchaser and you are probably able to repay even if you are lending the money, that must be of benefit to the borough's finances.

(Mr Corless.) That will depend totally upon the age, cost and market value of the property, as I think we indicated in our evidence to you. We would split from the financial considerations point of view the council houses into three categories: the pre-1960 or so, the 1960 up to early mid-1970s and the 1970s onwards. Different financial considerations apply to each of those three categories.

(Mr Evans.) If we sell some of the older properties we lose out because the older properties produce a surplus which helps us meet the very heavy deficit that we have on current housing that we are building because of the high building costs, high interest rates, and so on. The deficits on some of our current properties per annum are well over £1,000.

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52. You would expect in general to sell the newer rather than the older properties? (Mr Evans.) Not necessarily.

(Mr O'Brien.) In the main I think the answer is probably yes.

Chairman

53. This has been explained by witnesses in the earlier part of their evidence. Could I ask the Borough Treasurer if it would be possible to rework the calculations in Tables 2 and 3 on the same basis as in Tables 11 and 12 of the appraisal which do show the actual sale price as the basis of the calculation and then take account of the rents foregone, the rent rebate and subsidy foregone? The tables with which we have been comparing them were set out in different form, it is consequently very difficult to assess the value of a table presented in quite a different way producing rather significantly different results. We do not wish to impose unduly on you, but it would be very helpful to us if we could see these figures presented in the same form as the Department of Environment appraisals in order to carry out a comparison.

(Mr Corless.) Yes, Chairman.

Mr Winnick

54. Based on what the Borough Treasurer has been telling us, could we have some information as to how you see rent levels rising in the borough should there be a rather heavy selling as a result of the Act going through?

(Mr O'Brien.) I do not know, Sir. I think the cut in subsidies is much more likely to lead to heavier rent increases than this factor — I think, but again crystal-ball.

Mr Miscampbell

55. What is your proportion of on-going building at the moment? You have not come to a complete halt with the building of council houses, or have you?

(Mr Evans.) There are 2,500 under construction now.

56. Does that relate to the 2 per cent in total? Say you were losing to the private sector 2 per cent of your building stock, at what rate are you building at the moment?

(Mr O'Brien.) It is far in excess of that on houses because we have switched the housing programme from flats and maisonettes to houses. It is predominantly houses in order to rectify the imbalance as I saw it between houses and flats as a total housing stock.

(Mr O'Grady.) But the important thing from our point of view here is that because

of factors unrelated with the matters we are discussing, that is the financial allocations, HIP, and so on, our new building will virtually come to a standstill after the schemes being dealt with now are completed and any reduction in the availability of houses as opposed to flats reduces the expectation of people within the Borough. As more and more houses are sold and the higher the percentage becomes the more effect it will have on the people that they are being trapped in the flats with no ability to move as our building programme envisaged their doing into houses with gardens.

Mr Dobson

57. In view of your survey of movers out, or the results of that survey which you referred to earlier, would it be right that you would therefore expect young families, i.e. the 15 per cent with accommodation too small as their main reason for wanting to move out of Southwark, to increase if they are not going to have new houses available either really available to them or as a prospect?

(Mr O'Grady.) Our view is that — and this not facts, probably — people would like a house with a garden. If they can remain in Southwark with it, all well and good. Not all of them can afford or would be able to afford the price of houses in an Inner London Borough. They would therefore be forced to leave the area where they wished to be into an area where prices are not so high, perhaps in East Sussex or something like that.

58. But further on that point, it seemed to me Mr O'Brien was saying you should not include in the calculation only those who would actually be housed in houses, but that quite a number of people were kept in Southwark by the prospect as well.

(Mr O'Grady.) Yes, absolutely.

Mr Winnick

59. But the Government's argument I suppose would be along the lines that if houses are sold, and your evidence makes the point as well, people would find themselves living in flats with hardly any chance at all of being re-housed and the Government's reply, as given downstairs in the Chamber, is that the local authority can replace the houses which are sold by building more. What would be your reaction to that?

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(Mr O'Brien.) Totally impracticable. On average we would have to sell 5 to build 1\*.

60. You are quite sure about that?

(Mr Evans.) Yes, but even in housing investment programme terms our allocation of housing investment programme for 1980/81 is only two-thirds of what we need, and as the Leader indicated earlier, we shall need most of that, virtually the whole of it, to continue the existing schemes we have and to look after the defects in the estates we built in the 60s and 70s when we were all feeling the lash of the Milner-Holland Report.

Mr Scott

61. Presumably there is a balancing factor whereby the number of people owning in a borough like Southwark — indeed it is in your written evidence — would stop this outward migration that almost every London Borough has experienced over the last 20 years and begin a counter flow if people were given the opportunity to buy?

(Mr O'Grady.) One has to ask the question: Was it a high density flatted development that drove people out, or was it a pure and simple wish to buy? I personally feel it was a wish to occupy a house with a garden and given that opportunity, even though it were rented — and many families prefer a rental because of their other financial problems — if we can develop the houses with gardens then the outflow might well be prevented. Whether it will be reversed is another matter, on which other factors, jobs environment, etc, will have a greater effect than housing.

Mr Dobson

62. Following that, unless I misheard, of the people who wanted to move out of Southwark it was only 10 per cent who were moving because they wanted to stop being in a rented sector. Is that right?

(Mr O'Brien.) Yes.

Mr Miscampbell

63. I am coming back to the point I raised before. Obviously you have what I view is a very commendable desire; you want to give people houses with gardens, and I would agree entirely with the views expressed here, and people want a great deal more than flats, but you say you have a scheme at the moment which is very much bigger than 2 per cent. Clearly there are restraints at present which are very drastic.

\* Witness subsequently in additional written evidence amended this ratio to 13:1

One hopes they are not going to continue. Are you really saying that unless there is very considerable change your housing programme for the replacement of sold houses will just come to a halt?

(Mr O'Brien.) Yes, quite emphatically. We have to maintain the existing stock.

64. And the finances that are available are enough to do that?

(Mr O'Brien.) Barely enough to do that in future years.

(Mr O'Grady.) We are facing next year or this year — I am not sure when the year starts now, whether it is the tax year or today, but 1980/81 — a considerable reduction in HIP. The following year we are also told we are going to have further reductions, so the money available will allow us to move towards the completion of schemes. The new money in the following year will allow us to complete those but the balance then available to us and in subsequent years will barely be enough to maintain the stock that we have, bearing in mind that we have a very high programme of modernisation and improvement because much of the property in the borough is pre-war in certain areas and we are putting in central heating, wash basins, and all the normal improvements people expect nowadays. That is where most of our money will go and my view personally is that we should deliberately concentrate on bringing the standard of the properties in which people will be forced to live to a higher one than it is at the moment. That is a probable result of the right to buy and the HIP allocation rather than a direct determination arising from considerations outside.

Mr Winnick

65. If the Bill becomes law so much of this goes outside your field and your responsibility. It will depend, as I understand it, on purely and simply how many tenants are willing to buy and you will have no powers to decide otherwise.

(Mr O'Grady.) That is so.

Chairman

66. Could I ask first of all the Borough Treasurer to give us a revised assessment? In doing so (we will have a written note of this) is it possible to tell us whether the calculations you have done are based on the 1975 Act and subsidy system and whether you have taken account of the subsidy system in the current Bill? I do not know whether that is practicable. The other

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point I would like to ask is whether it would be possible for the Director of Housing to elaborate on the evidence he gave that you would need to sell 5 to rebuild 1, and if we can have more detail of that; and if it would be possible for you to provide us with a projection of what you would be able to do with the housing and investment allocation that you expect to have in the years covered by the Public Expenditure White Paper, assuming Southwark's allocation goes down proportionately to the allocation; and assuming also that in the sales programme you have taken into account the Government's estimate that 30 per cent will be financed from the private sector and 70 per cent from your HIP allocation. If you can tell us what you would expect to be able to do (assuming the forecast of sales envisaged in this evidence) just what you expect to have left over for other purposes. It is a heavy burden we are putting on you, but I think the Committee would like to know what you would be able to do in these circumstances.

(Mr Evans.) Two points on that, Chairman. We have noted your requests and we will start work on them straight away but I assume you will let us have a note on the detailed requests so that we are sure to be meeting your needs\*?

67. Indeed. The Clerk of the Committee will write to you with a summary of what I have requested.

(Mr Evans.) The other factor is that you will appreciate, in relation to your last question, that there is a very large element of policy involved which has yet to be played for and that members have to decide how much of the HIP is going to "new build" so we will have to make some assumptions if you want this information quickly.

68. I fully appreciate that. What we are anxious to ascertain is what range of policy options would be open to a local authority in these circumstances and to what extent, given the HIP allocations and the right to

buy, what range of options would remain open to a local authority?

(Mr Corless.) On the first point you raise there, perhaps I could dismiss that one and say until we receive far more detail of the operation of subsidy arrangements, it would not be practical to reflect that in these tables other than general policy issues. If subsidies decline, clearly the financial figures will vary accordingly.

69. Even a footnote referring us to it would be helpful. The last point is the implications of the two year option, and particularly whether you see enforcement problems in dealing with those prospective purchasers who have a right to buy, and who might be able to buy now, who say, "I would rather buy at the present price two years hence". Do you see any problems in getting them to buy now, rather than deferring their liability for two years.

(Mr O'Brien.) I do indeed. Anybody who buys now and can avoid it should not do so for all the tea in China.

70. To what extent do you think you will be able to find out whether a prospective purchaser has the means to buy now and to compel him to use his right now rather than to establish an option to buy it in two years' time?

(Mr O'Brien.) I nearly said it depends upon how long the Secretary of State gives us. We will have to make the normal enquiries but how one ever discovers what the true financial resources of anybody is other than income is beyond me.

(Chairman.) Although there are obviously a very large number of additional questions we would all like to ask you we are all under constraint of time and I am afraid we are going to impose further burdens on you. I hope your experience will not constitute a warning to other witnesses not to be too helpful to the Committee, but we are very grateful to you for coming and for the very helpful way in which you have answered our questions and for the co-operation you have given to us. Thank you.

\* Printed on page 346.

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[Continued

THURSDAY 17 APRIL 1980

## Members present:

Mr B Douglas-Mann, in the Chair

Mr F Dobson  
Mr G Johnson-Smith  
Mr N Miscampbell

Mr N Scott  
Mr J Sever  
Mr M Thornton

## Memorandum submitted by the London Borough of Wandsworth

*Sale of Council Houses*

Further to your letter of 18 February 1980<sup>(1)</sup>, I have pleasure in returning my Council's response to the questionnaire concerning the financial and social aspects of the sale of houses. I would once again express my sincere regret for not meeting your timetable for return by 17 March, but as you readily appreciated as a result of my telephone call, this was due simply to pressure of work.

I should begin by explaining that the Council's sales policy was first adopted in May 1978 and was subsequently extended in November of that year to include the sale of flats and maisonettes operating under the Ministerial consent given in Circular 54/70. Since May 1979 the schemes have been based on the expanded consent and the higher discount arrangements provided for by the present Secretary of State for the Environment. Details of the policies covering sales to sitting tenants, sales of vacant acquired properties, sales of newly built properties, and homesteading are attached.<sup>(2)</sup> In doing so, I would particularly draw the attention of the Select Committee to the Council's equity sharing scheme aimed at bringing house purchase into the reach of people, especially first time buyers, who might otherwise be unable to take on the financial commitments involved. There is no doubt that this scheme has extended home ownership opportunities quite considerably.

With regard to the financial aspects, I am enclosing copy of a report — The financial effect of selling Council houses and flats (Paper No. 9965) — made by the Director of Finance to the Housing Committee on 17 January 1980.<sup>(3)</sup> In common with the national appraisals carried out by both the DOE and CIPFA, the forecasts are as reliable as the assumptions on which they are based, but nevertheless, the report does represent a local approach on this question.

On the social aspects of the questionnaire, I feel I should state a certain degree of doubt concerning the implied assumption of certain of the questions (Nos. B (iv) and (v)) that the meeting of local housing demands and the sale of houses are somehow inseparably linked to each other. This need not be the case. The sale of houses should not be viewed in isolation nor be taken out of context from a comprehensive housing strategy for meeting housing needs. My Council holds the firm opinion that in meeting future needs a strategy of this nature necessitates not only joint action with private enterprise and housing associations for the assembly, planning and development of land for housing, but also that it should incorporate co-operation with building societies and additionally seek the encouragement of a positive contribution from private rented housing. With that in mind, I enclose the housing policy statement contained within the draft Borough Plan and which sets out the housing aims and objectives of the Council.

(1) Printed on page 1.

(2) Not printed.

(3) Not printed.

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[Continued

A consideration which is not covered by the social aspects questionnaire, although touched upon in B(i), is the composition of the housing stock from which sales will be made. This is a matter which ranks equally in importance with the economic characteristics of tenants when the extent of sales is considered. In Wandsworth the housing stock is predominantly flatted — over 75 per cent of the total stock are flats. There are no less than 181 blocks over four storeys (including 51 blocks over ten storeys) comprising something over 13,000 flats out of a total stock of 28,000 dwellings. From this outline breakdown of Wandsworth Council dwellings it will be seen that the future success of a sales policy is particularly dependent upon the leasehold arrangements contained in the new Bill. Within the replies to the questionnaire reasons are put forward for the misgivings which are held as to whether these provisions will work in practice and reality.

Finally, you asked for an indication of willingness to give oral evidence to the Committee. I am pleased to confirm this on the basis of a small delegation of members and officers being received. Because of the political implications associated with this subject I believe it would be most unwise to invite officers alone and, indeed, I should state that the completion of the questionnaire itself has received the consideration of members.

Director of Housing.

24 March 1980

### Sale of Council Houses

#### Questionnaire for Local Authorities

##### (A) Financial Aspects

- (i) From 25 June 1979 Wandsworth has been operating a sales scheme on the basis of the general consent of the Secretary of State dated 18 May 1979 which in relation to sitting tenants provides for discounts as under the 'right to buy' provision of the current Housing Bill. Since then applications have been received from sitting tenants at the rate of about 20 per week. Our experience is that about 40 per cent of these applicants do not accept the subsequent formal offer of sale. Others drop out at mortgage application stage so that certainly no more than 50 per cent finally proceed with the purchase. Since the inception of the Council's sales schemes in July 1978 600 dwellings have been sold, approximately as follows:—

Sales to sitting tenants	200
Vacant acquired properties (including homesteading)	220
Vacant newly-built properties	120
Sales to Housing Associations	60
	<hr/>
	600

There is no reason to believe that the number of applications is likely to increase with the enactment of the Housing Bill as the terms on offer will be only marginally changed. It would be reasonable to anticipate that, with a total housing stock of about 28,000 properties, Wandsworth is unlikely to receive applications from sitting tenants to purchase the properties they are currently renting from the Council, at much more than a rate of about 1,050 per annum of which something like 500 are likely to fall by the wayside. With the transfer to the Borough Council of some 11,000 properties from the Greater London Council which is due to take place on 1 April 1980 these figures are likely to increase *pro rata*.

This view is based on first-hand experience of sales rather than upon an analysis of tenants' characteristics (other than income). Details of an analysis drawn from the 1978 National Dwelling and Household Survey are however given as supplementary information to Section C.



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[Continued]

- (ii) The Council Paper No. 9965 showed in Statement B that there was a net addition to the budget from selling council houses and flats of £148,000 in 1978/79, the current financial year is estimated to show a net reduction against the budget of £30,000 and a net reduction of £260,000 is estimated for 1980/81. This forecast has been based on a level of discounts of up to 50 per cent on sales to sitting tenants as provided for in the Housing Bill. However, this report included sales of vacant acquired properties. On the basis of excluding such sales the following differences to the statements in that report will apply:—

Statement A—the discounts allowed to purchasers would be greater as discounts on vacant acquired property are only allowed up to 30 per cent. The capital surplus shown would therefore tend to be lower.

Statement B—higher average discounts would reduce the sale price and therefore the interest received on sales, either through mortgages or from use of capital receipts.

The actual average level of discounts allowed at Wandsworth in 1978/79 was 15 per cent and for the first nine months of 1979/80 was 19 per cent. The average level of discounts allowed is now expected to average 30 per cent in a full year (although as mentioned if vacants are excluded that average would be slightly higher).

- (iii) The type and age of dwellings has a marked effect on the financial effect of sales. For example, an increase in sales of newly built properties will tend to increase the loss of subsidy incurred and loss of rent income and decrease the saving on repair and maintenance. This is happening in 1979/80 and could result in a decrease in the budget saving for this year (although this itself may be offset by an increased volume of sales).
- (iv) It is generally accepted that owner occupiers take a greater pride in their properties and have a vested interest in maintaining or improving the general environmental standards of their area. If they were concentrated in sufficient numbers, such sales could reduce the need for area improvements but the financial effects would be marginal and could not be quantified.
- (v) The report allows for savings on each dwelling sold of £202 for repair and maintenance and £81 for supervision and management. However, there is no evidence as yet that such savings actually take place, certainly in respect of supervision and management there will be required specific action in order to achieve any saving. The savings themselves are based on average unit costs and will alter if the type/age mix of property sold changes.

In fact the sale of properties could marginally increase the pooled overall unit cost of repairs and maintenance, and supervision and management of the remaining Council properties in that the better properties would tend to sell (houses, cottage estates, etc.) leaving the problem properties (high rise, etc.) and thereby losing the pooling effects of spreading the load. The selling of individual flats in otherwise tenanted acquired property has tended, if anything, to increase management problems. There could be a reduction in overall management and maintenance costs if sales were sufficiently concentrated in particular estates or districts but insufficient experience has yet been gained in Wandsworth to quantify the effect, 600 sales spread through the Borough out of a total stock of 28,000 properties being no indicator of the effect.

- (vi) In the case of sales to sitting tenants of the properties they were currently renting the effects as regards re-lets is likely to be minimal for a long time in that purchasers are generally well satisfied with their property and environment and failing purchase would have tended to have continued occupation as tenants indefinitely. In the case of sales of vacant newly-built properties and vacant acquired houses the Council's sales scheme operates in such a way as to ensure that the vast majority of sales are to existing Council tenants; all purpose-built Council properties so vacated are re-let in the first instance and not allocated for sale. The loss of re-lets is therefore minimal.

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[Continued]

- (vii) It is not thought, within the Council's overall housing strategy, for there to be a direct Council replacement of dwellings sold as it is anticipated that the stock of residential property in the Borough remains the same and only the form of tenure is changed. Only a relatively small proportion of newly-built properties are being allocated for sale.
- (viii) Although the Council has included flats in its sales scheme, only flats in acquired properties and some maisonettes on purpose-built estates (where there are no complications with the provision of common services) have so far been sold, (about 100 to date). Pepperpotting sales as at present envisaged in the Housing Bill would be a difficult exercise in Wandsworth as regards most flats on the Council's housing estates simply because the service charges would more or less equate to the existing Council rents and few, if any, tenants would be prepared to make mortgage repayments in addition to continuing to pay approximately the equivalent of their existing rent as a service charge for no tangible benefit, the only benefit being the increase in the value on sale of their flat.

The only method which might make such sales attractive to Council tenants in Wandsworth would be if (a) leases to be sold were restricted to a term equivalent to the anticipated life of the property (instead of the 125 years currently provided for in the Housing Bill), (b) the anticipated cost of all major repairs and replacements (lifts, etc.) were to be capitalised in the premium for the purchase of the lease which would then qualify for discount of up to 50 per cent, and (c) the service charges were thereby reduced to acceptable proportions, far less than existing rents. Without provision made on these lines it is this Council's opinion that the extent of sales of such flats could be disappointingly small.

The difficulty in selling flats under leasehold arrangements is the need for detailed accounting information showing special supervision and management costs analysed under each block of flats. It is not known as yet what the specific gains or losses are from selling flats as opposed to houses, although generally the financial effect will be influenced by the type and age of property sold.

- (ix) It is anticipated that many of the sitting tenants who currently reject offers of sale would wish to avail themselves of the 2-year option provisions. It is not anticipated that these provisions would be likely to give rise to undue administrative problems although tenants knowing the system could avail themselves of the opportunity to ensure that they have the benefit of a 2-year-old valuation which, if the experience of the last two years was to be repeated, could be of considerable value. If this became generally appreciated it seems likely that the number of applications to purchase would increase, but the number of completions would decrease for about two years.
- (x) (a) tenant purchasers gain through the acquisition of a capital asset at a cost below its market value; set off against this capital gain is the cost of repairs to the dwelling.
- (b) as indicated under paragraph (v) above, there could be marginally additional cost to remaining tenants in that rent could be increased to reflect the higher unit cost of repairs and maintenance, and supervision and management due to the loss of the pooling effect. That possibility is very dependent upon the proportion of properties sold in relation to the whole stock; the proportion would need to be fairly substantial to have any noticeable effect. Where, however, real savings were achieved on supervision, management and repairs from a sales policy, rents should not be affected.

Any financial gain from a sales policy will not affect the rents being charged.

- (xi) This will depend on the type and age of dwelling sold and on the mortgage interest rate at any point in time. Taking a longer term assessment the difference is that while rents charged will be increased with inflation the income from mortgage repayments remains constant, except for interest rate changes.

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[Continued]

However, the following figures reflect broadly the current financial position:—  
The average rent of the Council's dwellings in the current financial year was £8.95 per week or £38.78 per month. During the same period the average mortgage advance on the sale of the Council's dwellings was £12,000 on which the repayments over a term of 25 years would be £147.22 per month or £109.13 per month under the option mortgage scheme, ie 2.81 times higher after allowing for tax relief than renting. In the coming financial year, however, the Council's rents are to increase by an average of £3 per week giving an average total of £51.78 per month. If property prices do not increase resulting in higher mortgages the average mortgage repayments will then be 2.11 times the average rent after allowing for tax relief.

- (xii) In the foreseeable future no effect is anticipated on the market for owner-occupied properties in Wandsworth.
- (xiii) It is not anticipated that sales of Council dwellings in Wandsworth will have any immediate effect on the prosperity of the local economy. It could, however, in the long term, increase mobility for purchasers and provide an additional source of lower priced properties for sale to persons wishing to take up employment in the area from other parts of the country.
- (xiv) As the Council has no information as regards the income and savings of sitting tenants or other residents until such time as they submit an application to purchase, it is not possible to observe on this question other than to say that with the benefit of equity sharing only the very low paid with only one wage earner could not afford to buy, provided they can qualify on age grounds for a 25 year mortgage.

#### (B) Social Aspects

- (i) It is expected that sales under the new legislation will follow very largely the existing trend, ie the sale of occupied or vacant houses and converted flats and houses, with the probability of an increasing interest in the sale of purpose built flats. The realisation of the sale of flats will depend on how far the Housing Bill provisions prove to be successful; the reservations held by the Council on these provisions are set out in A (viii) above. Assuming for the moment that they will be viable in practice, it can be anticipated that flats in low and medium rise blocks will attract sales and that high rise flats where there are attendant environmental problems will not. It is also thought that pre-war walk-up blocks of flats will not sell to any great extent if at all.
- (ii) The current demand for Council housing in Wandsworth is as follows:—
  - (a) Housing waiting list as at 12 March 1980 — 7,920, of which the number of registrations with housing need is 6,692.
  - (b) There are 6,488 registered applications for transfer, of which 3,552 are in priority groups showing housing need. Of that latter figure 1,000 are in the highest priority categories.
  - (c) The Council is rehousing approximately 200 families per year from re-development and clearance areas and estates to be modernised in order to keep up to agreed programmes.
  - (d) It should be noted that the Council is carrying a large homelessness burden. Since the passing of the Housing (Homeless Persons) Act 1977, the volume of accepted applications has increased by over 30 per cent and currently is running at an annual rate of 1,200, of which some 715 families are rehoused into permanent accommodation.
- (iii) The trend in the availability of lettings is indicated by the following table:—

	1976	1977	1978	1979
Through London Borough of Wandsworth	2,680	3,038	2,741	2,018
Through Greater London Council resources	683	737	486	365

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[Continued]

Any forecast for future years depends upon the outcome of a number of factors as yet unquantifiable, i.e. the number and the progress of new-built dwellings designated to be available for letting, the rate of achievement in gaining Housing Association nominations by the end of 1980 and beyond as a result of the inception of Housing Association activity in the borough, and the effects of the GLC transfer in relation to the Council's contribution and return from the mobility scheme arrangements. With these major factors unknown, it is difficult in the extreme to state what significance the sale of Council houses will have in the global availability of lettings.

- (iv) This question is impossible to answer in terms of the effects of sales alone. Any consideration of the Council's ability to meet a demand for housing should not be regarded merely in terms of Council provision only, but should be taken within the context of the housing provision envisaged by all the agencies. A statement of policies for this comprehensive housing provision is set out in the attached Borough Plan statement, which itself is consistent with and matches the Council's Housing Investment Programme strategy statement.

- (v) The size of the Council's transfer list and indication of its composition in terms of need is given above.

The present transfer policy has been devised to give the maximum flexibility and range of choice to tenants. Essentially it embraces two main elements: a centrally operated transfer system catering for the top priority categories with special regard to essential medical cases and a local transfer system under which tenants are able to select their own properties from a list displayed (and revised weekly) at local District Housing Offices.

Clearly, with the trend for sales to take place of the more popular properties, there will be a falling away of opportunity for transfer to that kind of property. But this effect is offset by the first priority accorded to Council tenants to purchase not only as sitting tenants, but also newly completed developments and other Council dwellings especially vacant acquired houses.

- (vi) An analysis has been undertaken of sales completions to individual persons covering the period from July 1978 to January 1980. These sales are analysed under the heads of:— age of head of household, family size, income of purchasers, length of residence in the borough and previous tenure.

See pages 39, 40, 41 and 42 for tables detailing the analysis.

- (vii) It is not thought that Council sales will have any adverse effect on housing management or on the quality of services to tenants. Indeed, there is a separate policy initiative to increase the level of services offered which will be accelerated by the Tenant's Charter provisions of the new legislation.
- (viii) The only evidence available of the extent of default by tenant purchasers is provided by a past record of sales made in the period 1969-72. In that period 95 sales were made through Council mortgages and to date there is no record of any default on those mortgages. There have been no re-purchases from tenants.
- (ix) It has to be admitted that there has been no detailed examination made of these matters except that the view is firmly held by the Council that an increase in owner/occupation in an Inner City Area such as Wandsworth will contribute greatly to its re-vitalisation and, therefore, can have a beneficial impact on the policies and programmes of the kind mentioned.

A particular local advantage seen to be accruing from a sales policy as part of a greater encouragement of owner/occupation within the Borough is the prevention of the outward migration of the economically active who otherwise might have pursued house purchase opportunities outside the Borough boundaries.

- (xii) Not applicable.

	Total	New House	New Flat	Acquired House	Acquired Flat	Homebased	Selling Tenant House	Selling Tenant Flat
	%							
<i>Age of head of household</i>								
Under 30	3	0	0	0	1	0	0	0
30 – under 40	65	14	1	13	23	4	2	0
40 – under 50	123	28	0	19	20	15	46	0
50 – under 59	125	27	0	25	4	19	61	0
60 – under 69	56	12	0	7	1	1	35	2
70 +	18	0	0	1	3	0	10	0
Not applicable	16	13	1	20	0	1	36	0
	463	= 100%						
<i>Family type</i>								
Families up to 3 children	110	37	0	40	0	10	103	0
Large family	39	4	0	3	0	0	34	0
Couples	81	18	1	27	20	0	0	0
Singles	43	10	0	6	16	0	0	0
Retired	3	1	0	0	1	0	4	0
Other	16	4	0	1	0	1	4	0
Not applicable	27	6	0	10	3	1	0	0
	419	= 100%						

Joint income of purchaser	Total	New House	New Flat	Acquired House	Acquired Flat	Homestead	Selling Tenant House	Selling Tenant Flat
L	%							
Under 4,000	50	7	0	0	7	3	50	0
4,000 - 4,999	116	25	21	0	16	16	44	0
5,000 - 5,999	174	36	33	0	33	15	66	0
6,000 - 10,000	77	17	16	1	16	8	27	0
10,000 +	17	4	3	0	3	1	5	0
Not applicable	46	10	9	0	9	4	23	0
	440	100%						
Length of residence in Borough								
0 - 2 years	3	1	0	0	1		0	0
3 - 5 years	10	2	4	0	4		0	0
6 - 10 years	22	5	3	0	3	10	4	0
11 - 15 years	35	8	17	0	17	8	0	0
16 - 20 years	40	10	19	0	19	7	1	0
21 - 25 years	14	3	23	1	18	7	4	0
26 - 30 years	40	10	21	0	16	3	1	0
31 + years	204	50	9	0	14	0	160	4
Not applicable	412	100%						

Private Tenure	Total %	New House	New Flat	Acquired House	Acquired Flat	Homestead	Existing Tenant House	Existing Tenant Flat
<i>Excluding existing tenants</i>								
London Borough of Westminster	119	43	28	0	46	9	26	4
Greater London Council	28	7	10	0	7	3	0	
Housing Associations	11	4	5	0	3	1	3	
With family	28	7	13	0	1	6	0	
Private control	79	28	18	0	12	22	16	
Not applicable	29	10	4	1	32	8	4	
	278	=100%						

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[Continued

Some information can be directly compared with the characteristics of Council tenants and the Borough population:

	All Purchasers %	Council Tenants %	Borough Residents %
<i>Socio economic group</i>			
Professional	3.2	1.2	5.9
Employers, managers	8.0	5.5	13.6
Other self-employed	2.8	4.6	4.8
Foremen, skilled manual	23.0	35.9	26.7
Non manual	16.0	21.8	28.2
Semi-skilled manual	2.8	18.5	13.1
Unskilled	0.5	10.6	6.0
Other, unclassified	43.7	1.1	1.4
	100%	100%	100%
<i>Race</i>			
White	51		81
Black	9		13
Not applicable	39		6
	100%		100%

(xiii) For sales made during the period July 1978 — November 1979 there were three vacant dwellings sold at a price below construction cost without discount.

(xiv) The table below gives the only other information available regarding the characteristics of dwellings sold between July 1978 and January 1980:—

See page 43 for table detailing analysis.

(xv & xvi) The only evidence available concerns the 95 mortgages given for sales between 1969–1972 for which records show that 27 (28 per cent) of the houses sold have now been resold.

With a larger volume of sales now taking place and to be extended into the future, resales will play a greater role than hitherto in the market. At this stage no prediction is cared to be made as to the precise nature of that future role and, indeed, given the quite considerable variation in the size, price and type of dwelling sold, this is a matter difficult to forecast.

(xvii) No authenticated evidence is available, but this is thought to be the situation in a number of instances and where that is the case then there will clearly be a loss of casual vacancies arising.

### (C) Background Material

#### (i & ii) Dwelling stock and tenure in Wandsworth

	Households						Dwellings			
	1961 Census		1971 Census		1977 National Dwelling & Household Survey		1979 H.I.P.		1984 H.I.P. Forecast	
		%		%		%		%		%
London borough of Wandsworth	22,101	19.6	30,412	27.7	36,495	34.6	28,863	26.4	40,395	35.2
Other public										
Housing Associations	65,581	58.2	50,277	45.8	5,116	4.9	4,945	4.5	8,373	7.3
Private rented										
Owner occupied	24,975	22.1	28,106	25.6	33,653	31.9	63,376	58.0	65,365	56.9
Total	112,657		109,750		105,451		109,200		114,845	
	Households						Dwellings			



From July 1978 to January 1980.

	Total	New House	New Flat	Acquired House	Acquired Flat	Homeless	Setting Tenant House	Setting Tenant Flat	Housing Association
	%								
<i>Period started</i>									
S.W. 8 Battersea	5	1	0	0	3	0	1	0	1
S.W. 13	807	31	23	1	14	0	13	0	20
S.W. 12 Putney	60	12	0	0	13	0	9	0	3
S.W. 13 Putney and Roehampton	41	8	17	0	4	1	13	0	1
S.W. 18 Tooting	39	4	0	0	4	1	13	1	0
S.W. 17	129	28	0	0	18	18	68	1	4
S.W. 18 Central Wandsworth and Earlsfield	80	14	0	0	17	13	48	1	1
S.W. 15 Southfields	58	12	49	0	3	0	8	0	0
	500	= 100%							

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[Continued

- (iii) Yes. Details of the various aspects of the Council's sales policy are appended\*. These represent a reflection and distillation of the reports presented to and approved by the Housing Committee.
- (iv) Additional information — characteristics of Council tenants — in support of Section A, Question (i).

From National Dwelling & Household Survey.

	Council tenants	All Borough residents
	%	%
<i>Time at present address</i>		
Under 1 year	9.4	10.8
1 - 2	7.6	7.2
2 - 3	8.3	8.3
3 - 5	10.9	9.5
5 - 10	24.0	19.8
10 or more	39.7	44.3
	100	100
<i>Employment status, head of household</i>		
Full time work	54.8	62.6
Part time work	4.0	3.7
Seeking work	3.9	2.6
Waiting to start job	0.3	0.5
Temporary sickness	1.5	0.9
Permanent sickness	2.9	1.6
Retired	23.4	20.0
Housewife	8.3	6.1
Student	0.5	1.6

\*Not printed.

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[Continued

## ANNEX

## London Borough of Wandsworth

*Sale of Council Houses*

I have your letter of 2 April<sup>(1)</sup>, requesting additional written evidence concerning problems arising from the 1980/81 Housing Investment Programme allocation.

In reply I would say that probably in common with all housing authorities in the country, this Council has received a reduced capital allocation with the result that there are indeed difficult decisions to be taken, especially now the allocation is given in one block, to determine which elements of the programme can continue and which will necessarily have to be deferred until later years.

The allocation received amounts to £24.685m including a self-contained allocation of £60,000 for private sector insulation grants. The Council's bid was £33.118m. After allowing for a carry over from 1979/80, the capital available to spend in 1980/81 is £27.256m, leaving a shortfall of £5.862m on the original proposed programme. I am reporting these figures to my Housing Committee on the evening of 17 April — coincidentally the day we have been called to give oral evidence to the Select Committee — and shall be making recommendations for the distribution of the capital sum available among the various schemes making up the Council's housing investment programme.

The options available to the Council are fairly tightly circumscribed. Firstly there is the requirement to maintain contractually committed schemes. In total this amounts to £15.7m split between the former block one of H.I.P. — new build schemes, estate modernisation, repairs and improvements to existing Council's stock (£12m) and the former block 3 — lending to housing associations (£3.6m). Secondly, in support of the high priority of encouraging home ownership and securing improvements in the private sector, a recommendation is put forward for maintaining house purchase advances and renovation grants at the H.I.P. bid level of £6m.

After allowing for these essential areas totalling £21.6m there is room for a modest expansion to include:

- (a) some further Council stock improvement schemes although not to the level originally envisaged and
- (b) housing association schemes already in preparation but without any capacity to fund any new additional schemes of this kind in 1980/81.

The brunt of the shortfall referred to above falls upon a number of necessary and worthwhile Council improvement schemes covering such matters as rewiring, relifting, heating, environmental works and major repairs. These will have to be shelved but those schemes have been ranked in a priority order to be taken as capital is available.

I trust I may be forgiven if I do not attempt to give any firm indication of the options for future years up to 1982/83 based on the assumptions for housing spending contained in the Public Expenditure White Paper (Cmd. 7841). As you will be aware, the proposals for housing are not well defined in the White Paper. There is no allocation of the global

<sup>(1)</sup> Not printed.

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figure as between current or capital spending or between central and local government and other bodies such as the Housing Corporation. All that I can say is that with a projected 48 per cent reduction in total housing expenditure it seems inevitable that there will be a corresponding drastic reduction in capital spending which will severely constrain the Council's ability to undertake already and yet to be defined projects.

Director of Housing.

10 April 1980.

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MR P J LANCASTER and MR A NEWMAN

[Continued

### Examination of witnesses

COUNCILLOR C CHOPE, Leader of the Council, COUNCILLOR MRS S DRIVER, Chairman of the Housing Committee, Mr P J Lancaster, Director of Housing and Mr A NEWMAN, Deputy Director of Finance, London Borough of Wandsworth, called in and examined.

#### Chairman

71. Good morning. First of all, may I thank you all very much for coming to give evidence to us this morning. We have asked you in particular as one of the many local authorities from whom we have received evidence substantially because it is very clear from the written evidence you have submitted that you have given a great deal of thought to the issues with which the Committee is concerned, and that the evidence you have submitted is of interest to us but contrasts with the evidence which we have received from the London Borough of Southwark, which has certain similarities in some respects and differences, which gives more opportunity to explore the issues with which we are concerned than by taking local authorities who are further apart with a view to getting a contrast. Our object is to try and produce an agreed factual report. If our questions seem searching this is because we wish to be able to evaluate the evidence we have received and does not in any way indicate any antagonism, nor does it suggest that we do not either collectively agree or disagree with your conclusions. May I start by referring to the housing strategy which you quote on page 43\* of your evidence, paragraph 53. In the second half of that paragraph you refer to general and special housing needs and say: "The policies for meeting these needs are to:—(a) provide and allocate Council accommodation, giving priority to those in most urgent need in accordance with determined policies; (b) increase the number and distribution of specially designed sheltered dwellings for the elderly; (c) increase the range of specially provided or adapted accommodation for the physically disabled, including dwellings conforming to mobility standards; (d) promote the activities of Housing Associations in providing both general family and special needs accommodation." I would like to start by asking you to what extent you feel that the sale of Council houses and the policy of selling Council houses has helped or hindered the attainment of the housing policy strategy objectives?

(Councillor Chope.) Just a general comment on your question and that is that if you look at paragraph 53 it is under the sub-heading, "Public Housing" and the

question you asked seemed to be about the whole of the Borough's housing policy rather than just the public housing aspect of it which is dealt with in paragraph 53. So, I do not think that the question really, if it is designed with paragraph 53 in mind, can be looked at in the context of the whole Borough. That is dealt with elsewhere in the strategy. I think the beginning of the strategy deals with really using all the resources which are available to meet the housing needs in the Borough and one of the housing needs in the Borough is the need for people to own their own homes, the demand for owner occupation, and obviously that demand, that need, is met very well by a policy of the sale of Council houses.

72. Nevertheless, you do tell us in your evidence on page 37, paragraph B(i), that the housing waiting list as at 12 March 1980 is 7,920, of which the number of registrations with housing need is 6,692, and that you have 6,488 registered applications for transfer, of which 3,552 were in priority groups showing housing need, and of that latter figure 1,000 are in the highest priority categories. We also see from your evidence lower down the page that the number of availability of lettings has fallen from 3,038 in 1977 to 2,018 in 1979. Can you tell us to what extent that decline can be attributed to the sale of Council houses or Council accommodation?

(Councillor Chope.) On those figures it is hardly attributable at all because the effects of the sale of Council house will be seen in subsequent years, and if you look at the figures the number of houses actually sold in 1978/79 were very few indeed.

(Mr Lancaster.) If I can amplify that, the shortfall or the decline in the number of lettings is attributed to a number of reasons. We did in the past have a very comprehensive redevelopment programme with a number of new properties and new estates arising from that, and we have reaped most of the benefits from that policy. You will know the way in which the pendulum has swung against redevelopment and massive clearance. I think that is reflected in those figures. There has also been a cessation of municipalisation within the Borough and that has also contributed to a decline in the

\*Not printed.

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[Continued]

[Chairman Contd.]

number of properties becoming available. As the Leader says, the number actually affected by sales is fairly minimal at this stage.

Mr Dobson

73. Mr Chope quite reasonably referred us to the first part, the italic type part, of the housing strategy document, where it says that the Council favours meeting housing needs through a well-balanced contribution from all agencies, private builders and developers, housing associations and co-operatives, the Greater London Council and the building societies, and presumably your Council's policy for selling Council houses was determined in the light of some assessment which you made of the contribution that those various agencies would be making? Have you felt it necessary to reconsider your policy on sales or, indeed, on anything else, in the light of the fact that your own figures demonstrate that the GLC are no longer making as substantial a contribution to the solution of your housing problems and that with the cut-backs on finance for housing associations it must be clear by now that housing associations also will not be making the contribution that you thought they would be when you formulated this strategy?

(Councillor Chope.) First of all, when we started off on our strategy we were amazed at the number of people who actually applied to buy, and the total number of applications now for the sale of vacant properties is 5,981, so that is something one has on one side of the equation, the demand to purchase properties. We hope that there will continue to be a contribution from the housing associations.

74. Could you, on the basis of information which the Council presently possesses, compare the contribution you thought would be made at the time this strategy was formulated with the contribution you can now foresee in view of the reductions in finance of the Housing Corporation?

(Mr Newman.) So far as the reduction in finance for the housing associations is concerned, although they are getting less, of course, generally from the Housing Corporation, the Borough itself is giving them considerably more, or at least trying to.

75. Can that be quantified in terms of units produced compared with the units you

expected to be produced when the strategy was formulated?

(Mr Lancaster.) No. That is a figure which could be provided to the Committee. I can give it to you in terms of monetary estimates. We have provided within this year's allocation a sum approaching £7 million for assistance towards housing developments, which is quite a hefty figure in relation to the total size of the allocation.

(Chairman.) Can we come back to the question of the lettings in the public housing sector and the question of the loss of rents.

Mr Dohson

76. I was hoping we would get some answer to my question about what assessment had been made of the reduced contribution of the GLC to the solution of Wandsworth's housing problems?

(Mr Lancaster.) That is a rather complicated question because, as you know, from 1 April we have had the transfer of the stock of the GLC property taking place and we have a new mobility scheme now coming in to take the place of the old quota system. Indeed, at the moment there are meetings taking place between the London Boroughs Association and the GLC for the determination of the distribution to the pool from the mobility scheme. At this stage we do not have the precise figures available to us but we would hope that in net terms there would be a greater benefit from that than we have ever had from the quota system that has operated in the past from the GLC.

77. If I may refer you to your own figures, in 1977, 737 Wandsworth residents were rehoused by the GLC; in 1979 that figure had already been reduced to 365. Has there been any question of re-assessing the strategy outlined in this paragraph 45 in the light of that reduction, because clearly the GLC is not making the contribution it was intended to make when the strategy was formulated?

(Mr Lancaster.) That is perfectly true, but the point I was trying to make was that the new mobility scheme will mean that of 11,500 properties which have been transferred to the Borough we will, in fact, retain a very large percentage of those for our own direct lettings, so we will not be dependent, if you like, for the hand-out from the GLC, which is the quota system in effect. We will retain them directly for our own use, and the benefit we will get from that and the benefit we will also get from the redistribution back from the pool,

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[Continued]

[Mr Dobson Contd.]

to which we contribute as well, in total we will get more from that figure than we have in recent years from the GLC, so it is likely to be a gain on the figures quoted in the paper.

78. Are you yet in a position to assess or compare the number of people from Wandsworth rehoused by the GLC outside Wandsworth over the last few years with what you will get from the new scheme?

(Mr Lancaster.) No, at the moment we have not got the full details of the new mobility scheme, but on that it should be said that one of the difficulties of using the GLC resources has been the distance away from the Borough when properties become available and there is perhaps on our side not the fullest take-up of the offer of properties simply because they are not acceptable to people living within the Borough who are being offered properties in Lewisham, Greenwich and other places. So, we say by having direct lettings available for the transfer of stock it will be more beneficial in terms of location and quality.

79. Did Wandsworth in these years that are set out in the table on page 37 take up its full quota available to it from the GLC or was there a shortfall in taking up the quota.

(Mr Lancaster.) We took up as many of the offers as were made available to us. In fact, there was a shortfall in the quota from the GLC.

Mr Scott

80. Could I broaden the canvas a bit. Over the seven years 1971 to 1978 apparently municipal ownership of homes in the Borough went up by something like 25 per cent. Your strategy is not only going to halt that process but reverse it. Would you like to tell the Committee anything about the social and economic benefits that might or might not flow to the Borough as a result of that reversal of policy?

(Councillor Chope.) If people who aspire to home ownership are enabled to own their own homes and stay in Wandsworth, that is going to be of benefit to the local economy, because one of the things local firms are crying out for is skilled workers, and we know for every skilled worker the jobs of many unskilled workers depend upon it, and if skilled workers aspire, as I think they all do virtually without exception, to being able to own their own homes — and that is something certainly they are able to do now in many areas because of the high wages

they are able to earn — if they cannot own their own homes in Wandsworth they move out and often move out of the centre of London and take their skills with them and that means it is more difficult to develop employment opportunities for the unskilled in Wandsworth. Therefore, we think it is essential that you should have home ownership opportunities for those who want them. You will see from the figures that at the moment the proportion of home ownership in Wandsworth is very low compared with the national average and even lower when compared with the proportion of people we know who would like to own their own homes, particularly the younger people.

Chairman

81. May I take you up on that. I will accept what you say but in your evidence on page 35, paragraph (vi), you say: "In the case of sales to sitting tenants of the properties they were currently renting the effect as regards relets is likely to be minimal for a long time in that purchasers are generally well satisfied with their property and environment and failing purchase would have tended to have continued occupation as tenants indefinitely." That is the principal argument presented in support of the contention that the effect of Council sales on relets is likely to be minimal, but we also see from your evidence on the analysis of purchasers that 42 per cent of the purchasers are under the age of 40, and that would also bear out the point you have just made that they would be likely to move out, but does it not also bear out the suspicion which has been expressed to us from the evidence given to us by a great many other sources that the effect on relets of Council house sales is likely to be very substantial indeed?

(Councillor Chope.) Obviously a lot of the home ownership that we are encouraging is not just through sales to sitting tenants; a lot of it is sales of Council property to persons other than sitting tenants, to tenants living in other Council accommodation at the moment, for example, in flats or properties that are too small for them and they apply to purchase some other Council property that has become available for sale. So, I think that we adopted a broader policy rather than just sales to sitting tenants. But as far as the question of relets is concerned, it is right to say that if a property that would have become available for reletting does not become available because the person sitting in it is the owner,

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[Continued]

[Chairman Contd.]

that is obviously not going to be relet, but the general experience is that a lot of the people who want to buy would have stayed there anyway. Also, I think it is important to compare what happens if, say, a sitting tenant buys and then in five or ten years leaves or passes the house on to other members of his family, then that house is not necessarily not going to serve a useful purpose for the local community. If there are people who want to buy houses in Wandsworth who are vital to the local economy, the more houses that are available for them to buy the better, so I do not see the loss of a house in those circumstances, which obviously cannot be relet as a Council house, as being home owners and we must cater for the fact that in future more people are going to want to be home owners than at present.

Mr Dobson

82. You said that you felt that Council tenants living in Wandsworth would leave Wandsworth if they did not have the opportunity to buy in Wandsworth. Has your Council ever actually carried out any survey of the desire or intention of people to leave Wandsworth, for instance comparable with that which was carried out by SCPR for Southwark, in which it is very clear that only 10 per cent of the people surveyed who left Southwark — I emphasise only 10 per cent — gave as their most important reason for wishing to leave Southwark a desire to cease to be in the rented sector, and that other things like homes being too big or too small, homes badly affected by noise, homes in poor condition and then equally important, the circumstances of the areas in which their houses were situated in Southwark were all more important in the minds of the people who were leaving than any desire to become owner occupiers. I just wondered whether Wandsworth had done any detailed survey of the real reasons why certain socioeconomic groups were, so to speak, drifting out of Wandsworth or might be felt to be expected to drift out of Wandsworth?

(Councillor Chope.) We have not done a detailed survey of that, but it is right to say that the GLC has done surveys for the whole of London and got quite good statistics on the number of people moving out of the centre of London and whether they were home owners before and whether they become Council tenants when they move out of London and vice versa. Taking your example of Southwark, I would not so read-

ily dismiss 10 per cent leaving to become home owners as being a very small proportion.

83. It is a tenth?

(Councillor Chope.) Yes, but I have not got the figures as to how important a part that tenth were playing in the local economy. It may well be that they were just the sort of skilled workers that inner city businesses are crying out for. We had a meeting with a number of businessmen employers in Wandsworth last night and they were saying how difficult it was to attract and keep skilled workers in Wandsworth. That is the experience of industrialists. We have not done great surveys because we do not have the resources to do that, but if big employers in the Borough tell me they are finding it difficult to get skilled workers and skilled workers are leaving and they say that housing has a bearing on that, then I take it as the responsibility of the local authority to try and redress that situation. That is obviously a big factor in our belief that we should extend and improve home ownership.

84. But it is a belief?

(Councillor Chope.) Yes, of course it is a belief, in the same way that some people do not believe in it and they have strong philosophical grounds for rejecting it, but obviously it is a matter of policy.

Chairman

85. Can you tell us to what extent the houses which have been sold have been sold to any particular priority categories you outlined, ie, to people who are either sitting tenants on the waiting list of people living or working in the Borough with priority for first-time purchasers? Can you tell us how many have been in one of those categories and can you tell us whether it is true, as we have been told, that something approaching 50 houses have been sold on the open market through estate agents without any requirement that they should fall within those categories?

(Mr Lancaster.) Leaving aside the open market sales, the split between the priority 1 and the priority 2 purchasers is 70 per cent priority 1 —

86. Seventy per cent sitting tenants?

(Mr Lancaster.) No, 70 per cent existing Council tenants, GLC tenants, housing association tenants, and 30 per cent are category 2, people living or working in the



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[Continued

[Chairman Contd.]

Borough. Yes, there are, in fact, 50 properties which have been placed for sale on the open market without any restrictions whatsoever. These are properties which are in very poor condition and to have enabled them to be put into a reasonable condition for sale would have meant either undue delay or a considerable sum of money being spent on them, and this was thought by the Council to be a speedy way of achieving their sale.

(Councillor Chope.) Perhaps I can give an example. One of the houses that comes to mind which comes into that 50 is one with a market value of something like £80 or £98,000 and needs about £50,000 spending on it before it is going to be structurally sound. That is obviously not a property which can be sold to somebody in the priority categories and a lot of those properties come into that sort of category.

Mr Dobson

87. If your policy is concerned to retain skilled working-class people, can you explain why there is a category described as "not applicable" on page 40 of the tables, where you give the tables of joint income of purchasers? Were these 46 cases in which the socioeconomic class or the income were considered irrelevant?

(Mr Lancaster.) If I may, that is not really the phrase that should be used there. It is not classified because we have not got the fullest information from every purchaser. We asked them to do these returns on a voluntary basis for us and not everybody makes a return and these are unclassified.

88. So that 10 per cent, which Councillor Chope regards as a significant amount in another sphere of these sales, you have no knowledge of whom they are going to?

(Mr Lancaster.) That is true.

Chairman

89. Before leaving the issue of relets, you tell us on page 37 that of those who are on the transfer list 3,552 of your tenants are in priority groups showing housing needs and that 1,000 of those were in the highest priority categories. How long on average does one have to wait for a transfer in a priority group and how long in the highest priority group?

(Mr Lancaster.) That is a very difficult question to answer because I think you will probably appreciate this is a differing group of people.

90. Is it something on which you might perhaps like to give us subsequent written answers?

(Mr Lancaster.) I do not think I can give you an average figure. I can give you a typical figure rather than an average figure. It must be something like six months and upwards but that is something I need to look at.

91. Would you be willing to give us a subsequent note on that\*?

(Mr Lancaster.) Yes indeed.

(Chairman.) We would be grateful.

Mr Dobson

92. On that, could you tell us who the priority categories are?

(Mr Lancaster.) Yes, we have a system of adopting priorities for those people in seeking a Council home and the highest categories are category A, which is a combination of the most essential medical cases and the worst overcrowding cases.

Chairman

93. So that they would be fairly extreme cases?

(Mr Lancaster.) Yes.

94. And that would be six months?

(Mrs Driver.) If I can add to that, within category A, because there was a measure of concern and the fact that we should give very much greater priority to people with medical requirements as opposed to overcrowding, we have almost, if you like, made a category A1 in that medical priority cases do get priority over every other transfer case. So, clearly it is difficult to define how long anybody would be waiting for a transfer. If you go lower down to the next categories it is almost impossible to say how long you would wait because people have the ability now to go along to local housing offices to check a list of properties available for transfer and apply for those, so it is not only a question of how long but how quickly they see a property preferable to the one they are already living in.

Mr Dobson

95. In considering the impact of sales on these priority categories, which I understand include the decants and homeless persons as well—

(Mr Lancaster.) Not in the transfers.

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[Continued]

[Mr Dobson Contd.]

96. Obviously decants are not transfers, I can see that, but when the Council is allocating for renting purposes that part of its stock which is available to let, it includes decants and homeless persons as well as the categories that we have talked about?

(Mr Lancaster.) Yes.

97. How well is the Council coping with rehousing all these priority categories since the impact of the sale of Council houses has been felt, and is it not the case that the Council were warned by the officials of the Council in October 1978 that to proceed with the sale of Council houses on the scale envisaged would make it difficult to meet and to re-house these priority categories that we have heard about?

(Mr Chope.) I think that there was at one time — I do not know what your sources are for this — a Council paper leaked to one of the housing organisations with resources and commitments forecasts painting a very grim picture, but, in fact, the actual outcome was very different from the forecast and it is easy to draw up resources and commitments forecasts but often they are almost invariably wildly out and, indeed, that one was wildly out and we were able to meet all our very serious commitments as well as pursuing a policy of the sale of Council houses.

(Mr Dobson.) Can you tell us what the prediction was of the number of people who would fall into the priority categories and how many of those people have been rehoused that was wildly out, and no doubt you can explain that with the figures.

Chairman

98. That perhaps would be something which would be more easily done in the form of written evidence but we would welcome that evidence and I hope you will be able to provide it\*. Could I ask whether you could provide it in rather greater detail than I appreciate is practicable in oral evidence, with more information about the categories of those on the transfer list, the degree of medical priority that is required to secure an A1 classification, and the average length of time on the waiting list for category A, and perhaps also you could give us information about the number of exchanges actually achieved. Following from that, you did say, Councillor Chope, in evidence that many of those purchasers who are in category 2, ie existing Council tenants, not sitting tenants but existing Council tenants

who bought were buying to move to larger and more suitable properties. Do we take it from that that if you want a transfer it is possible to get one if you are able to buy but that you have to wait a very long time if you are going to continue to rent?

(Mr Chope.) I do not think that is right. I think the situation is whether you wish to buy or rent you could have to wait quite a long time, and that is borne out by the figure I mentioned earlier, the figure of 5,981 applications for vacant properties. Those people have to wait their turn in, so to speak, the queue in the same way as those on the housing transfer list wait their place in the queue, and the actual time that those on the housing waiting list get rehoused is often dependent on what they are prepared to accept. If somebody is prepared to purchase a property which is in not such a good condition, then they may well find that they will be able to do that from a relatively lower position on the priority list than somebody who is holding out for a new build on the equity sharing — and that is the most popular category, a new build equity share — and there the time is very much greater than we are ever going to be able to satisfy.

Mr Thornton

99. On the point transfers, we are all well familiar with the problems of transfers, people who are in hard to let properties trying to get out of them, etc, but I think it is fair to say — and I would be glad of your opinion on this — that the sale of Council houses, because it is a relatively small proportion of your overall housing stock, is unlikely to affect the time that people would have to wait for transfers who are in the highest categories. The people who have the greatest need for transfers are unlikely to be affected. It would be the people at the bottom end. Would you think that was fair?

(Mr Chope.) I think that is fair. I think the most important criterion and whether a person gets transferred or not is their willingness to move to accommodation. What they are holding out for. If a person really does want to move then under the schemes we operate they can be moved quite quickly, and as you say the number of houses that are actually being sold is in proportion to the stock very small.

100. And therefore unlikely to seriously and detrimentally affect the chances of those people who need transfers who fall

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particularly into the highest medical categories.

(Mr Chope.) Certainly, yes.

(Mr Dobson.) How many houses are available? Supposing I were a family requiring a three bedroomed house and I was on the transfer list. What are my chances these days of moving into a newly built three bedroomed Wandsworth Council house by means of a transfer?

(Mr Thornton.) What would be your reason for transfer?

Mr Dobson

101. Possibly overcrowding.

(Mr Chope.) If you are at the moment overcrowded, then there is no reason necessarily that you should have to move to a house rather than a large flat.

102. I am sorry but I want to move to a house. What is my opportunity to move to a house?

(Mrs Driver.) Surely within that we realistically have to accept that not everybody can always have what they want. The fact that you want a house does not necessarily mean we can speedily offer you one. If you are overcrowded the majority of people have to decide whether the most important thing is to move to a larger property and to eradicate that overcrowding or to put up with it a little bit longer in the hope of getting exactly what they want. Within that sphere it is within the hands of the tenants that are living in overcrowded conditions.

103. Supposing besides wanting a three bedroomed flat I am a member of the skilled working class and I want to continue to remain in Wandsworth and the thing that will allow me to is moving into a house owned by the Wandsworth Council, because I want to stay in the rented sector. What is my chance of moving into a newly built Council house in Wandsworth in those circumstances?

(Mr Chope.) If you are a skilled worker and you are earning that sort of money then you will have ample opportunities and financial means to purchase on an equity sharing scheme if not outright. Therefore you can apply under that scheme and whether you had a better chance under that scheme or under the transfer scheme would depend upon a whole lot of other factors, medical and so on.

104. Supposing I want to exercise my choice to remain in the rented sector, what

is my chance of moving into a new purpose built Wandsworth Council house in the circumstances you have outlined?

(Mr Chope.) I think the question is so hypothetical that it is very difficult to answer it.

105. But if I transfer myself into a would-be purchaser my chances will significantly improve will they?

(Mrs Driver.) You will still have to join a waiting list and wait until a property becomes available. Either way there is not a magic wand that waves you overnight into a house. You either wait on the transfer list until an opportunity presents itself, or, if you want to purchase, you register on the waiting list to purchase. You still have to wait for your turn to come up on that list.

106. Yes, but as I understand it from the answers we have got up to now, I may get re-housed if I want to purchase and I have received no indication from the witnesses that I would ever get re-housed in a newly built council house in Wandsworth if I want to rent.

(Mrs Driver.) Because clearly if you are to be re-housed to a newly built council house, flat, or whatever in Wandsworth, that is totally dependent on your circumstances, and you are presenting us with a hypothetical case that quite frankly would not necessarily warrant giving you a house.

(Chairman.) I think that is apparent from the answers we have had.

Mr Sever

107. This question of the mobility of skilled labour, which I do not expect the Council leader to be acquainted with, in central Birmingham is the subject I would like to pursue, and I suspect that in some respects it is not too different from Wandsworth. In central Birmingham there is an overwhelming demand for skilled labour and I would put it that not only is that applicable in Birmingham but virtually anywhere in the country where people are earning a living. There is a national shortage of skilled labour. The situation in Birmingham is that if you are applying for work there as, let us say, an engineer, you are not likely to have much more than half an hour's commuting time from wherever you might live in Greater Birmingham, but it is different here. The demand there primarily is for skilled workers to first of all find the job and to worry about commuting afterwards. It seemed from the comments

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[Continued]

[Mr Sever Contd.]

we have heard earlier that you are saying that the priority in Wandsworth is that people want a house first and then worry about the job. I may have misinterpreted that but I do not think so. That being so I think I have to join with my colleague and ask why it is that there does not seem to be any priority in Council letting policies in Wandsworth to look after the skilled worker who is allegedly a priority to you. Further, if a skilled worker with — I think the phrase was — “ample funds” to buy, that may not necessarily be so. A skilled worker does not necessarily have a high income and even if it were to the order of £100 or so, taking into consideration that that skilled worker might be providing for say a wife and/or four children, £100 would not necessarily give him ample funds to purchase. Where is the priority for him in Wandsworth letting schemes?

(Mr Chope.) I do not think there is a high enough priority for skilled workers in the lettings policy and the reason is the effect of the Housing Homeless Persons Act. Under that Act we are obliged to house so many people who may well not be in employment and that can only be at the expense of people who wish to have rented accommodation and have employment skills, and wish to take up jobs. It is a difficult situation. There is a shortage of accommodation for skilled people. There is no doubt about that, and a person for example who has just taken up a job offer with a big firm in Wandsworth who is unemployed in Glasgow at the moment comes down to Wandsworth and it is impossible for him to find private rented accommodation for the amount of money that he is earning — indeed, probably difficult in any event. It is impossible for the Council to deal with his case. We are going to probably deal with his case as relatively speaking an exception under our key workers housing scheme, to offer rented accommodation to key workers coming in from other areas, but in the context of the whole that scheme can, because of the pressures of the Housing Homeless Persons Act, only apply sadly to a very small number of skilled workers. If we were able to apply that to more then we would not have the demand for skilled workers in the Borough which is not satisfied at the moment as it is. It is very difficult. It is not one or the other. All these different factors have to be put into the equation and you have to produce a balanced housing policy. What we inherited in 1978 was a policy which was virtually a hundred per

cent designed for public sector renting and the figures for private building had declined to about I think 20 private sector starts in 1977 and after that it went down even lower — a minute proportion of the house building in the Borough and that was coupled with an active municipalisation campaign which was taking away properties from the private sector and adding them to the public. We have tried to balance that out. We are not saying we see no role for the public sector but we are saying that we think there has got to be a much wider policy so that there is, so far as possible, an opportunity for all these different competing groups. What was happening in the past was really this: that in the past a skilled worker living in a Council rented accommodation in Wandsworth, if he aspired to home ownership, really got no prospects of it if he stayed in Wandsworth. Therefore he had to go. At the moment, if he aspires to home ownership he has got a chance, in the same way, as a skilled worker who aspires to Council transfer.

Chairman

108. With particular reference to the Homeless Persons Act, we have had evidence from other sources which I believe is based on the Housing Department's figures that the housing of homeless in Wandsworth in 1976 was 610, in 1977 it was 536, in 1978 it was 698 and in 1979 it was 587. That would suggest that in fact, since the Housing of Homeless Persons Act came into effect, there has been a falling off, or slight increase in 1978, but a decline generally even with the Act. It does not appear to have had the kind of effect which you were suggesting.

(Mr Lancaster.) I think the demand has increased by something and this is quoted on page 37 of the written evidence; the volume of accepted applications has increased by over 30 per cent, and we are now rehousing at a rate of about 700 a year. I think there is also the question that we are in fact having to by necessity put quite a large number of families in to temporary accommodation as well.

Mr Dobson

109. It is only in so far as they take permanent accommodation that they have any impact on your ability to relet, is it not, to other people?

(Mr Lancaster.) It is the ability to relet and of course the availability, the timing and the right size and in the right place in relation to family's needs.

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[Continued]

[Mr Dobson Contd.]

110. To what extent will the revival of building by private developers for sale contribute to providing housing for the skilled working class who are either living in Wandsworth at present or living in Glasgow and wish to come to Wandsworth?

(Mr Chope.) I have not got the figures. I am not a private house builder but I would assume that those are the sorts of people who buy houses that are built for sale.

(Mr Dobson.) But if you are having a total housing strategy, it seems to me that if it is to make sense you need some assessment of who is going to buy privately developed new housing for sale in Wandsworth otherwise you cannot make your public sector part respond to the needs? I wonder whether you could carry out some survey of who is buying the new housing and certainly, presumably, it would be possible to do it on those sites which you are actually selling yourselves to private developers?

(Mr Thornton.) The fundamentally important point which I feel you raised at the last part of two questions ago when you were talking about the expectations of this particular socioeconomic group, your figures would seem to indicate that there is a demand amongst the skilled workers, a demand which you as a Council were pursuing and which a policy of Council house sales was attempting to fulfil, not just for the people who are moving into Wandsworth but for the people who are already there, whose expectations now are rising to a level whereby they want to enter into home ownership and I think this is a point that has to be considered as well, by builders now as well as the private developers. They too will be catering for this market. This expectation that is arising from this particular group.

Mr Dobson

111. Perhaps you can give us some indication of what sort of prices are being charged for the new housing which is built by these private developers so we can make some sort of assessment about the people on the sort of income that is achieved by the average working man and his family and what it would allow them to buy in.

(Mr Lancaster.) I do not think we perhaps have those figures available at the moment, but I think the Council are making a significant controlled contribution to sales through two schemes which we have entered into with housing associations for low cost sales and in fact the persons then who will be drawn for those sales will be

taken from our own applicants applying to us for house purchase. This is in a sense a low cost sales starts scheme and the average price there is reckoned to be almost £36 to £40,000.

112. Which is a bit on the pricey side for a skilled worker?

(Mr Lancaster.) Under the particular scheme which has been worked out it does have the benefit that a person goes in with a 7-year lease to rent and during that time they can purchase whenever they wish and I would think that with inflation shall we say in the third or fourth year even though they may not be able to purchase immediately they will be able to take on the sale later on.

113. Would you not agree that both that scheme and the equity sharing scheme have the effect of actually reducing mobility rather than increasing it because people get tied into them?

(Mr Lancaster.) I would say not.

(Mr Chope.) Taking the equity sharing scheme, for example if somebody buys a 50 per cent or 75 per cent share and they rent the other quarter or the other half, it may well be that when they get to retirement age they will say let us sell up and move out of Wandsworth and with my three quarters share I will be able to buy myself a place outright elsewhere which will give me the total security that I want and then the house which they vacate will be available for somebody else. I do not think there is a lack of mobility written in on that. Surely the point you are making about the high prices is really an argument for discount, is it not, because that is really the argument for saying that if somebody has been in a house for 25 or 30 years, they should be entitled to buy that house at something other than the market value, which it happens to have at the moment, but that they should be able to buy at a price which is less than that to reflect the amount of time they have been in it?

(Mr Dobson.) If it is an argument for discount, would you not agree it is an argument for discount from sales in the private sector and argument for discount for those who buy a Council house from someone who bought it from you at a discount?

(Chairman.) Could you clarify that question?

(Mr Dobson.) If it is a way to bring houses for sale within the reach of skilled working class people, giving discounts, then

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[Mr Dobson Contd.]

presumably there ought to be discounts for such people if they are buying in the private sector in Wandsworth?

(Mr Thornton.) Why?

Mr Dobson

114. Because apparently it is the only way that such people can bring purchase within their financial capacity and similarly as I understand it the Wandsworth Council sold some houses which were £16,000 and they are currently on the market now from the tenants who bought them at £30,000. No discount there for the next lot of purchasers and presumably this process will take them again out of the range of the skilled working class that the Council are so concerned about.

(Mr Chope.) I do not think that argument applies. You cannot force things on the private sector, but we think that the private sector should be encouraged to develop in the Borough. Up till now it has been stifled completely. If you are talking about a 5 per cent involvement I think that is intolerable. I think we have got to encourage it to a greater extent. The big house building companies are able to sell houses like hot cakes in a city area. I do not believe that they are selling them to people on £20,000-£30,000 a year the whole time. I reckon they are selling them to people on much lower incomes than that and they are doing it through various mortgage schemes and they are also building much more economically than the Council can ever do. If the Council itself builds houses they are costing £40,000-£50,000 to build and the cost to the Exchequer and to the ratepayer is absolutely enormous and that is another aspect of the equation. You have got to look at it and that is why we have got to believe in having some sort of balanced policy.

115. You have already said that you do not know what is happening to the houses which are being sold in the private sector in Wandsworth. You have asserted your belief. It seems to me you need to provide some evidence as to what they are doing, what sort of prices, what sort of mortgages and what sort of people are moving into them if you are going to claim that this fits in with the strategy set out in paragraph 45 on page 39\* of the evidence that has been presented to us.

(Mr Chope.) It is too early to tell because we in 1978 won control and at that stage private house building was virtually nil and in order for private house building to

develop the private developers have got to buy the land and they they have got to have their plans passed and build the houses. At the moment it is too early to see even the houses in the state they are actually being sold. I would be delighted to carry out a survey at such time as the private sector has developed its houses in Wandsworth but it is obviously much too early to say at the moment because they have not yet had the opportunities.

Chairman

116. To what extent would you think that people are staying in the Council sector in order to take the opportunity to purchase? In reply to our question at I think it is B(xvii), on page 42, which says "Is there any evidence of households not moving out of the Council Sector in order to buy because of the prospect of buying as a sitting tenant? Is there a loss of casual vacancies because of this?" you say "No authenticated evidence is available, but this is thought to be the situation in a number of instances and where that is the case then there will clearly be a loss of casual vacancies arising." To what extent do you think this is likely to happen in the future and is there any way in which you would be able to obtain any reliable evidence on this?

(Mr Lancaster.) Since replying I have been able to look more closely at this and in fact I find it is remaining fairly constant between a figure of 3 and 3½ per cent. I think it is very difficult to predict what might happen in the future to that figure but I really do not see that there will be very great variation in it. It will very much depend upon so many other factors such as the rate of interest for mortgages and house prices and the state of the market and so on which are extremely volatile at the moment. I would not like to predict.

117. This was on a total sale of 600 houses, which predicts a sale in the region of 1,000 per annum out of a total stock of 28,000?

(Mr Lancaster.) Those are total sales.

118. Yes, so in the longer term, the loss of relets of casual vacancies you would estimate is likely to decline steadily? Is it a fair inference from the evidence you have given that the loss of relets is likely to decline steadily in the future?

(Mr Lancaster.) Yes, but I think it will be a very slow decline.

\*Not printed.

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[Continued]

Mr Dobson

119. Could you tell us please what your explanations are for the decline from a total of 3,775 lettings on page 37 of your evidence, in 1977, for Wandsworth and the GLC, to 2,383 in 1979?

(Mr Lancaster.) I thought I had answered that earlier.

(Chairman.) Yes, you did.

Mr Dobson

120. I am not sure that I follow that. I understood that houses had become available in 1978 and 1979 and that should have increased the lettings not reduced them at the time?

(Mr Choppe.) If every year houses become available but some years more for letting then obviously in those years, when more new stock becomes available, then the amount available is greater and some of the biggest housing developments that we have got in the Borough have slipped enormously and the projections that they would be finished in this year or last year have been wrong time after time and that is why in 1979 there was a smaller number than in previous years.

121. Perhaps you could oblige us, when you send in this additional information, by letting us know how many new dwellings became available for letting in the years quoted in the table? I think that would be a very useful way of assessing the impact of that. The other thing is what assessment do you make of the impact of the fact that there are 724 dwellings empty awaiting sales, and what impact has that had on the availability of flats for letting?

(Mrs Driver.) In fact, I would say that when we are talking about selling vacant properties, clearly the term "vacant" implies exactly that. There are very very few properties in Wandsworth that are vacant awaiting sale that have not been allocated a purchaser. It is simply a question of waiting for the legal process to be completed. There is nothing more than that. They are not sitting waiting in the hope that we can find somebody to purchase. Looking at the figure of 5,981, for example, there are far more people wanting to purchase than at the moment there is property available for purchase.

122. In those circumstances, why are there almost 200 homes in this category that have been empty for more than a year?

(Mrs Driver.) Because it is fair to say that

quite a high proportion of the acquired property that we are selling was acquired by the previous Council under the municipalisation programme. A great deal of that is in such appalling condition that quite frankly we could not allow tenants to live there without carrying out a great deal of work and spending a great deal of money. Very often the condition is such that by the time you take into account the purchase price of the property the money expended on that property in order to bring it into a reasonable state of repair makes it way above market value and in our view that is not an acceptable way to deal with the housing policy on the Council.

Chairman

123. What about newly built properties? What proportion of those are allocated for sale and what types of property are they that you sell? Can we say that we appreciate this is a detailed figure.

(Mr Lancaster.) I do have some figures here, Chairman. In the dwellings completed since May 1978, the total was 597, of which 154 were allocated for sale and 443 were allocated for letting.

124. What types were they?

(Mr Lancaster.) Those allocated for sale were mainly houses but it did include a small number of flats and those for letting were a mixture of both houses and flats but predominantly flats.

125. Can you give us the proportion?

(Mr Lancaster.) I have not got it.

126. Can you produce it?

(Mr Lancaster.) Yes.

Mr Dobson

127. Can I come back to the answer Mrs Driver gave. The figures which have been passed to me produced by the Council suggest that of the nearly 200 properties which have been empty for a year or more which are for sale 53 of them are at the conveyancing stage, 13 are at the mortgage stage, 55 are at a stage described as "being marketed" and 25 are at a stage described as "at stages prior to marketing". It would appear from that that not very many, certainly no more than 25, are delayed because work is being carried out on them?

(Mr Lancaster.) I think in that category it is the unpopular end of the market and there are difficulties in selling them and this is why we are having to resort to market

\* Printed on page 349.

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sales and in fact at the last Housing meeting I was given extra delegated powers to be able to sell properties which have been vacant for sale longer than 6 months in order to expedite their sale to the open market. It is usually the situation where a property has had a purchaser allocated to it for some reason very late in the day he has dropped out or it might be that we have had two people after the property and it has taken 6 months to a year to get to that stage, and rather than go back to square one we will put the property for sale through estate agents on the open market.

128. Does this mean that anything over 6 months we can forget about in the categories you have outlined as priorities for house purchasers? In other words, it means they literally go on the open market?

(Mr Lancaster.) No. This will be something which will be quite flexibly operated because there may be very good and valid reason why a person has dropped out. It may be however an attractive property and if there is an applicant lined up we would proceed with that, but this is intended to deal with the properties which are not very attractive and are not good for sale to our own priority purchasers.

129. Would you be able to provide us with any evidence as to what proportion they represent of the stock you are trying to sell? Obviously not today but is that possible?

(Mr Lancaster.) No, it will be a very small proportion. We have mentioned 50 and I think we are adding to those no more than about ten or a dozen at the moment. I should not think it will ever be a significant figure.

130. In that case, what are the reasons for the delays in selling these 192 houses which have been empty for more than a year? If they are not difficult to sell and they do not fall into this open market category, because they are difficult to sell, then they are easy to sell, and why has it taken more than a year to sell them?

(Mr Chope.) There is no straight answer to this question because each property has its own case, but there have been a number of delaying factors and the number of stop starts we have had is quite high. The previous Government was in and we had just got our policy geared up and it was 17 March 1979 when everything stopped and we had queues waiting in Wandsworth High

Street to buy houses, and we had 350 people who had gone into preliminary agreements for sale. Then there was the General Election and people wondered whether they would be entitled to greater discounts on the properties already offered to them. Coupled with that we had been developing the equity sharing scheme and inevitably when there are those sorts of delays some people drop out. They have had second thoughts or they have found something else. If they drop out then you have to go back to square one. So far as statistics are concerned, if they drop out after 7 months, just before they would have exchanged contracts, then the statistics show that that property has been empty for about 7 months and that it is at a stage prior to marketing. That is why, although the picture is at one particular time, we can say that there are 200 in that particular category. You have got to look at the history of each individual property to get a true picture of it. If the picture you are worried about is that the properties are empty because there is a lack of demand to purchase them, then that would be totally false and not a picture that one should draw from the figures. I can assure you that properties are not empty for that reason but because of the various delays that there are in the process. The fact is that a lot of them are in poor condition.

131. Nevertheless we end up with 724 properties which are not available for letting because they are held empty while the process of sale takes place.

(Mr Chope.) I did not think this was a political debate we were having today but it is fair to draw a comparison with Lambeth because they are not selling any properties but they have got I think something like 4,000 empty properties and I have no doubt they would explain that that is because these properties are in various states of decay and they are being repaired and so on. It is not right to take our figures out of context and our record is better than Lambeth's, but not nearly as good as we would wish it to be.

Mr Miscampbell

132. Do you often not have to bear in mind the clear distinction between a Council selling properties and ordinary individuals selling them between themselves. Ordinary individuals selling properties between themselves normally make arrangements to stay in the property while



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all the preliminaries are dealt with and then they move out at a set date and there may only be a week or so actual vacancy. So far as you are concerned, the position is different. You have got to start with an empty property. You have got to start with one in which there has been no preliminary proceedings at all, no mortgage, nothing has been arranged. Consequently I may be wrong but it seems to be a false picture if you look at Councils as if they were just ordinary individuals. They start from a different premise from ordinary sales between people negotiating private contracts.

(Mrs Driver.) I think that is absolutely right. As you say, in the private field when a decision is taken to vacate or move out of a property the prospective purchaser views that property very often with the owners still in situ. I think that very often we do not know that a property will become available for sale and will be vacated until a couple of weeks before that happens. I think even if we for some reason had a longer notice that a property was to become vacant and we were going to sell it there would be absolute cries of outrage from our own opposition if we started trying to take prospective purchasers round a tenant's home. It is completely different. It is essential that a property is empty so that it can be properly looked at and properly surveyed. That means the property stands empty for a little longer than we would wish.

Mr Johnson-Smith

133. It is on this question that I want to speak, and I think one does understand the Council's problem here. Would any member of the Council here like to make a comment on the actual time taken, for technical and legal reasons, for conveyancing a property, because it is suggested that both in the private and public sector it takes far too long, possibly because the legal processes are too prolonged. Is this the experience of the Council?

(Mr Chope.) I think it is. For instance, I have got a file at home which I asked to see where the person is a sitting tenant and he has been waiting for over a year to buy and the letters are going to and fro between the Council's solicitors and his solicitors and rights of way are involved and so on. It has turned out to be rather more complicated than we thought at first. It does take an enormously long time and any measure that could speed it up would obviously be very helpful indeed. I think the provisions in the

Housing Bill about valuations being fixed should help enormously because at the moment, if there is an undue delay, somebody comes along and says "We have got to revalue that because we have not actually exchanged contracts" so that will help to overcome some of the problem. It also means there will be a bit more of a system adopted and we will be able to say "Well, all those houses there have got similar problems on rights of way and we can deal with those in one lump" and so on.

Chairman

134. Is it a fair inference from what you have said that it is almost inevitable that when Councils are selling property there will be a longer period of emptiness than there would be in the sale of other property, and that the cost involved in loss of rent and administrative expense is going to be substantial? If that is the case, could you give indications of the sorts of figures that are involved?

(Mrs Driver.) I think that what in fact at the end of the day we should be able to do is bring down any extra delay in occupying to just a couple of weeks. We have now got the whole process working relatively smoothly with the odd hiccup. We would hope to be able to complete a transaction on a time scale that matches the private sector and it is not unusual for house purchase in a private sector to take between 3 and 4 months. That is what we at Wandsworth now expect the legal formalities should also take. Providing we move in quickly and value and open for viewing the property at the beginning I think we should only be talking about a matter of a few weeks' difference.

(Mr Newman.) I suppose it is fair to say an average rent is £12 a week and obviously if you have a property empty for a number of weeks it is £12 a week times the number of weeks empty you cannot avoid saying this.

135. What about security costs?

(Mr Newman.) It depends on what you mean by security costs. Normally boarding up of vacant properties, making them secure, is common enough and does not amount to a great deal of money individually.

(Mr Lancaster.) I think we did incur some quite considerable costs in relation to our first development. The reason for that was, and this is one of the factors of delay, that we were at that stage forming our equity sharing lease. Not only did it take some

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time to do so but when we sent it to the solicitors for conveyancing, this massive document coming through the letterbox is quite complicated and of course they were saying to their clients "Do not sign anything until we have gone through this with a fine tooth comb" and the equity sharing lease is quite a complicated thing and in terms of the advantages it has in bringing home ownership within reach of the people who might otherwise not afford it, there is a consequential time lag in adopting that in legal terms.

Mr Dobson

136. The question Mr Miscampbell raises raises a global issue of interest to the Committee because it points to the fact that taken globally in the country there will be a loss of housing availability as a result of the extended timetable that you need from in effect a landlord selling a house for owner occupation, and in the figures that I was talking about earlier they refer, as I understand it, to delays on acquired and new built properties. I wonder whether, to help us, the Council could produce some figures which show how long it took them to get a new built dwelling occupied by an owner compared with how long it took them to get a new built dwelling occupied by a tenant.

(Mr Chope.) There again, if we are dealing with generalities it is so hard to say what the actual figures are, but we know that on specific properties particular difficulties arose and one of those was that which the Director of Housing has referred to and because we had a standing start with properties that were newly completed, it obviously took us longer than if we had been able to have a run at it and during the course of the procedure the properties had become available. It is significant that actually at the time when the deadline was being imposed by the previous Secretary of State and we were not going to be allowed to sell any more council properties people other than sitting tenants queued up at the town hall and the ones that were allocated on one of the developments since they became available, since the work was completed, have more or less moved in straight away because they had a longer lead-in period and that is obviously the key to this. I do not think I would reject wholeheartedly any suggestion that because you have got a lot of council house sales taking place over the country that is going to mean a loss of housing availability due to delays. Unfortunately, if there is loss of housing availa-

bility in this country it is due to the delays it takes local authorities to relet properties if they become vacant. The contrast with the private sector, where people exchange houses and move into them on the day of completion and move out of their own which somebody else moves into is quite staggering and we know a lot of local authorities have at any time up to 5 per cent, 6 per cent of their stock empty and that is largely because of what can only be described as the bureaucratic delays inevitable when we are reletting council-owned properties. The point you make on that I think is a totally false one if I may say so.

(Mr Dobson.) Could I come back on that? I think everybody accepts there are delays and very bad delays, disgraceful delays, in reletting council property, I certainly agree with that, but the point Mr Miscampbell raises does show that there is a further bureaucratic delay being built into the system. It may be unavoidable and your social and political objectives may be such that you are willing to put up with it, but I think we would like an assessment of the impact of this particular type of delay on your ability to deliver housing in Wandsworth.

(Mr Thornton.) It is an inherent delay, is it not, in the system? The house that is coming available for sale does not come available until the tenant moves out, so it is an open-ended commitment on these things. There is no way in which the council can protect —

Chairman

137. I think that is ground we have indeed covered and it is clear that it is inevitable in the system. How do you decide so far as newly built properties are concerned which ones are to be sold and which ones are to be let? On what principles do you make your decisions?

(Mr Chope.) We look at all the various factors and we come to a conclusion. I do not think I can recite to you all the arguments that there are put forward in respect of each development. In the end it comes down to a decision by councillors as to what they think of the competing priorities and how they should be met in any particular case.

138. Would it be fair to say that the nicer ones will be sold?

(Mr Chope.) No, I do not think it would be fair to say that. What it would be fair to say is that obviously we started off with the

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easiest sales and in a sense that is what anybody does. They start off with the easiest sales. For example, developing an equity sharing lease for the sale of blocks of purpose-built flats, that is a very complicated thing and I think it is a challenge I would think the Government would be able to help us on because I think that would be the key to expanding home ownership opportunities even more widely in flats, but obviously if you are looking for equity sharing then you are going to start off with a place where it is relatively easy, the financing, and the lease is relatively straightforward. That is inevitable and you may think that is a commonsense approach to it. The question of whether things are better or worse does not really come into it and I think that you will see from the statistics we produce that a lot of the houses or properties that are being sold are not being sold in what is generally regarded as the most popular part of the Borough, which is Putney, but in other areas of the Borough, and that is because of course one of the biggest considerations is price and if people can obtain a property at less cost somewhere else in the Borough they may well choose to do that rather than something they cannot afford in a more popular area. A whole lot of considerations come into it. I do not think one can fairly answer your question saying exactly what it was made us sell a particular property.

Mr Miscampbell

139. I think what the Chairman is driving at and what I would certainly be interested in is this. When you come to look in principle whether you are going to sell, do you sell in blocks or are they individual houses in each estate, or do you concentrate them and when, for instance, you come to flats, do you try to use a whole block of flats which are newly on the market and let all of them or sell some of them? Do you have mixed ones? What is your general policy so far as that is concerned?

(Mr Chope.) Up to now on the newly built developments we have tried to make it simpler and either have a sale or a let but not to mix the two on particular estates. We have got a general policy which applies to the sale of non-purpose built council houses, what we call acquired properties, and that is when they have become vacant then they are sold, whether they be houses or flats, and the majority of them are flats, so they are sold and they are isolated properties across the Borough. Then on individ-

ual estates obviously the sitting tenant finds if he wants a house he buys that one, but his next door neighbour may not want to purchase and on individual flats for sitting tenants we have really been in a situation where up till now we have been waiting for the final proposals which are contained in the Housing Bill because we do not want to have a lease, when selling in big blocks of flats to individuals, on a peppercorn basis; we do not want to have a lease which is very different from the terms of the lease we will be required to implement for somebody else after the Housing Bill becomes law.

Chairman

140. We quite understand that. You do mention in your evidence that many of the flats which you would be selling might have a life of less than 125 years which is specified in the lease required by the Housing Bill. How do you envisage that if the bill is not amended you will be able to deal with the effect of peppercorn sales, of selling some flats when it becomes necessary to redevelop the property?

(Mr Newman.) We have certainly explored this question at great length and we have in fact discussed it with Birmingham and Liverpool. The only real way we see of doing this is by shortening the lease, and at least we see problems in dealing with the service charges. We can only see that we can deal with this particular problem by in some way capitalising the service charges and incorporating them in the premium for a lease and then giving a discount. This would bring them down to a reasonable level so that they become attractive to tenants. It has also been touched on in the question of equity sharing for flats and we think this needs exploring more and perhaps we have not done enough work on this and perhaps we will be able to make more sales of flats that way.

Mr Sever

141. How many flats have been sold in developments of more than four storeys?

(Mr Chope.) As yet none. A number of people have applied but the original decision we took was that unless a third expressed an interest we could not really consider it because it was so complicated and it was competing with all the other properties we had.

142. Is the situation now going to be complicated by the fact that the tenant will have a right to buy his flat if the legislation

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[Continued]

[Mr Sever Contd.]

before the House is put on to the statute book and will not the local authority then be in a situation of having to do something about the tenant's desire to buy his property?

(Mr Choppe.) I agree with you. I think it is quite right that the tenant of a flat should have the same right to buy as anybody else. I hope the final provisions will be workable in practice.

143. We are shifting our ground somewhat. I thought we established that we were not having philosophical arguments. Is it not going to be a problem for the local authority to actually deal with that situation when somebody on the 20th storey wants to buy his flat and all the other 117 tenants in the block do not want to know? It is a very real problem surely, and what do the local authority think they are going to have to do to cope with that situation?

(Mr Newman.) If the tenant wants to buy and is willing to pay the price I do not think there will be a problem, but the price will be high on the existing basis.

144. But the price will be high on the service charge and redevelopment.

(Mr Lancaster.) I think this is something in fact which will be considered by our successors in about 60 or 70 years' time rather than us now.

Mr Dobson

145. But there are lots of blocks flats which were expected to have lives of 60 years which are presently eating hundreds of millions of pounds of rehabilitation money after about 25 years, so perhaps these problems may emerge rather sooner than that. I was not quite sure whether I followed what Mr Newman was saying correctly. Were you saying you might make an estimate of the service charges now and roll that into the price? If you get your estimate wrong and the service costs turn out to the Council to be higher than the estimate of service charges you have fed into the price, who is going to bear the difference?

(Mr Newman.) It depends whether you are wrong one way or the other.

146. You would be wrong.

(Mr Newman.) Who bears the cost of that could be the person who buys the flat or the seller. It is major repairs that are the problem in this respect, not general maintenance or management costs. It is the major repairs really, on this question of

selling flats. It is lifts and boilers, those items that have to be replaced and are extremely expensive.

147. But you need to make assumptions about the rate of inflation and wage rates and all sorts of things, which, as I have gathered from questions I have asked here, even the Treasury are not prepared to do for more than three years ahead.

(Mr Newman.) That is perfectly true. Valuers are doing it all the time of course to some degree. We must leave it to the valuers to exercise their judgment.

(Mr Johnson-Smith.) Surely it is not too difficult to put in clauses on sales or leases being negotiated which take account of errors on either side?

Chairman

148. This was what, if I understand the proposal which is suggested correctly, you would be stipulating in your sale, that in the lease the Council will continue to be responsible for the repairs and service charge, etc and that the purchaser will have paid in advance for this.

(Mr Newman.) That is right.

149. In the absence of such a provision to what extent do you think it is going to prove practicable to the Council to sell, having regard to flats in high rise blocks, having regard to the risks of major repair problems and bearing in mind that the flat may be the Wandsworth equivalent of Ronan Point?

(Mr Newman.) I would think, in the absence of the sort of device I am talking about, very little chance of selling them.

150. No doubt it is in your evidence somewhere, but can you remind us what proportion of houses and flats there are in Wandsworth?

(Mr Lancaster.) Yes. I think it was in the accompanying letter to the evidence. Out of the total stock of 28,000 dwellings 75 per cent, something like 20,000, are in fact flats.

(Mrs Driver.) 13,000 flats.

Mr Sever

151. 28,000 properties within the control of the local authority and something like 75 per cent —

(Mr Lancaster.) Of the total stock are flats.

152. And we have established we are not selling any flats.

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[Continued]

[Mr Sever Contd.]

(Mr Chope.) The question you asked was whether we had sold any in high rise blocks of four storeys and the answer is no, we have not, but we have sold flats in smaller blocks.

153. That is the point I am making, so out of the remaining figure somewhere there have been some sales in blocks of less than four storeys. What I am intrigued to know — I understand we have 6,000 people in round figures piled up in the queue anxious to buy in Wandsworth. That, if these sales go through, must be an enormously high percentage of the housing stock of the remaining 25 per cent, including four storeys and under. Presumably we are talking about virtually all of the houses or low rise flats being sold to those 6,000 in the queue; is that right? Or have I got the arithmetic wrong?

(Mr Chope.) Yes. The actual number of applications from sitting tenants is 1,700-odd. Then there is a separate list we keep for the sale of vacant properties to other than sitting tenants. That is where the figure of just about 6,000 comes from. There is no reason to suppose that all those 6,000 people are going to be able to be satisfied on the basis of the stock we have got. Obviously they are not going to be because we have not got 6,000 vacant properties of any kind.

154. Quite, but the point, going on from that, is that it seems on those figures, although a lot of them are speculative, I accept that, that a very large proportion of houses and low rise flats are likely to be sold in the relatively near future and there will be virtually none left for letting.

(Mrs Driver.) But you must take account of the fact that we do not sell purpose built houses or flats unless we sell to sitting tenants, so unless virtually every sitting tenant in a house or low rise flat decides to purchase that house or flat, which is not true, they will still become available for letting as and when they become vacant. It is only the vacated properties that will be available for sale.

155. A large proportion of low rise flats and houses are not going to be sold?

(Mrs Driver.) Unless to sitting tenants.

Mr Dobson

156. But how do you have a sitting tenant for a new built property?

(Mrs Driver.) You do not, but what I am

saying is that a lot of the property in Wandsworth includes a lot of purpose built houses and a lot of purpose built flats that will only be sold to sitting tenants so if those tenants decide to move on they will then become available for reletting and unless in the future every one of those properties is sold to a sitting tenant I do not see that it will affect the reletting.

Mr Scott

157. And when they become vacant in the future they will be relet?

(Mrs Driver.) Yes.

Chairman

158. Houses will not be sold except to sitting tenants?

(Mrs Driver.) Purpose built only.

Mr Dobson

159. Presently occupied?

(Mrs Driver.) Yes.

Mr Sever

160. How many of those are there?

(Mr Lancaster.) About 5,000. That is excluding of course the effects of the GLC transfer. I do not carry the new figures in my head from the 1 April.

Mr Dobson

161. Perhaps we could simply ask for a breakdown of what the GLC stock is that you are getting, grimacing as you get it in some ways.

(Mr Lancaster.) It follows very largely the proportions of the existing stock. It is remarkably similar.

162. I was a bit taken aback by Councillor Chope's earlier answer to discover that of the 28,000 tenants in Wandsworth only about 1,500 have indicated any interest in buying and not the 5,000. 5,000 are other inhabitants from Wandsworth or people from outside?

(Mr Chope.) No. It is 1,777 of them that have expressed an interest so far in buying the particular property they occupy, but a lot of them have expressed an interest in buying properties other than those they occupy at the moment and obviously because our sales scheme does not apply to high rise flats those living in the high rise flats of the larger proportion of our stock are ineligible even to apply at the moment because there is no point in applying because we cannot satisfy the demand. Obviously, if there is a workable scheme

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[Continued]

[Mr Dobson Contd.]

under the new Bill we expect the demand will develop from the flats.

(Mr Dobson.) But was it not Mr Sever's point that the totality of applications for buying houses exceeded your number of houses?

(Mr Thornton.) That is assuming all the houses will become vacant.

Mr Dobson

163. Whether they do or do not.

(Mr Chope.) More people want to buy houses than we have houses to sell, in the same way that more people want to rent houses than we have houses to rent.

Mr Sever

164. Those houses that will be sold eventually will, in real terms for the purpose of reletting, have dried up. There will not be any available for letting. That is the point. If the demand now is greater than the supply of houses and eventually the demand is satisfied by the stock of houses that are available, eventually we will be in a situation will we not where there will be no houses available for letting?

(Mrs Driver.) If we do not adopt a balanced policy that would be a fact. If every single house that became available we sold, then obviously in the end all the houses would be sold, but we have already said we are not putting every single house that becomes vacant up for sale.

165. Where is the cut-off going to be? Have you already made up your minds how many houses will be left in the stock for reletting? surely that must be the logical extension of that argument?

(Mrs Driver.) Of the existing stock of purpose-built houses every one that becomes casually vacant will be relet.

(Mr Lancaster.) I think there is some confusion here and I found this in fact in submitting the evidence between in fact the sale of council houses to sitting tenants and the right to buy provisions and the wider sales policies of Wandsworth Council in relation not just to sitting tenants' sales but sales of vacant properties, vacant acquired properties, homestead properties, flats and maisonettes and the newly built developments, and I think in fact what we are doing in giving our figures is looking at the totality of the sales policies in Wandsworth and not just in relation to the opportunities for sale in the permanent built stock. I do not know if that helps at all.

166. When the properties to which you referred a moment ago have been relet, after that reletting has taken place that tenant surely has a right to demand a sale be made of it?

(Mr Lancaster.) Yes.

Chairman

167. To what extent is that taken into consideration in transfers? Is it easier to get a transfer to a house if you say "I shall wish to buy"?

(Mr Chope.) No, we think it would be totally wrong to do that. We ignore the express wishes of anybody to buy. We deal with them on the basis of the priorities.

168. Personal need?

(Mr Chope.) As transferring people wishing to rent.

Mr Dobson

169. But is it true that on two estates you require people to be in effect in a position to buy before you are willing to let to them?

(Mrs Driver.) No. I think the two estates you are referring to are two estates where we have decided to charge a higher than standard rent for the houses, but I would certainly say that that rent is not of the level that would I think bear a mortgage on that same property, and what we are also asking the tenants on those particular estates to do is to take a much greater interest in the management of that estate.

170. But is it not the case that you are not letting any of the flats on those two estates to anyone who at the time it is let to them is entitled to a rent rebate?

(Mrs Driver.) No, that is not true. That does not necessarily apply in the case of one bedroom flats, but certainly it does to the rest of the development.

171. So that the one bedroom flats on the Garratt Lane Estate are available to people who might need the rate rebate, but none of the rest of that estate or the May-soule Road estate is available to people who might be entitled to a rebate?

(Mrs Driver.) That is right, but those are just two developments in the Borough.

172. What proportion of the new dwellings which we know are not very much available to you on the basis of the evidence you have given up to now, since 1978, do they represent?

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[Continued

[Mr Dobson Contd.]

(Mr Lancaster.) The total number of dwellings on those two estates is 256 and I think the number I gave you as being available for letting in the year was 436 if I remember rightly.

173. Roughly half?

(Mr Lancaster.) 443.

(Mr Chope.) I think the other thing it is important to bear in mind on those two developments is in fact that they are being let to existing council tenants that are registered for transfer so they are free of other accommodation.

174. Would you not agree that the effect of that letting policy is that approximately half of what has become available to you is being let in effect only to people who could afford to buy?

(Mr Chope.) No, I would not accept that. I think a lot of the people that are moving into these properties could not contemplate purchase by reason of age or indeed income. The income that is required in order to meet the rent is lower than the income that would have been required in order to purchase I would have thought.

175. But nevertheless you exclude from the possibility of going on to those estates those people whom Parliament has decided are entitled to rebates wherever they dwell in the public sector?

(Mr Chope.) On those particular estates, but that does not mean that we do not accept that there is a need to make newly built over the years available to people that are eligible for rebates, and for that reason one of the largest developments that is due to be handed over in the Borough has been agreed will be let at the usual rent level with rebates, so in fact what I think it merely emphasises is our desire for a very broadly based housing policy where what we wish to do is seek to meet the needs of every type of tenant and home owner in the Borough.

(Mr Dobson.) But not on any particular estate apparently.

Chairman

176. I think their point is established.

(Mr Lancaster.) I would not like the impression to be given in Mr Dobson's comment that we are withholding rebates under the statutory scheme.

177. No, it is not. Could I turn to the financial effects on tenants? In your answer

to inquiries about the effect on tenant's rents you say at the bottom of page 36 that there could be marginal additional costs to remaining tenants and rent could be increased to reflect higher unit costs of management and maintenance. What level of marginal increase do you think is likely to be involved? We have had evidence from other sources that the cost of management and maintenance is likely to increase because of the extent to which the better properties, more modern properties, are likely to be sold and the extent to which the proportion of council housing stock that is in the form of high rise blocks requiring lift maintenance, etc, is likely to increase. This is a thread running through a great deal of the written evidence we have received, that the unit cost of management and maintenance is likely to increase fairly substantially.

(Mr Newman.) We suspect this may be so, but we have no evidence to prove it yet. We have only sold 600 properties or thereabouts. We are quite interested in what the outturn for the first full year of the sales policy is going to bring in terms of actual results, and until we get our figures out we will not be able to comment on this.

178. I see that you say that any financial gain from the sales policy will not affect the rents being charged to tenants.

(Mr Newman.) I would like to qualify that. I should say that there is a gain and it is this, that in so far as you get interest on the capital received which is credited to the revenue account, and if you take the balance on the revenue account into consideration when determining the rent, of course there will be an effect on rents.

179. Yes, but of course if you are getting the interest you will have the loan charges to meet.

(Mr Newman.) Over and above that necessary to recover the loan charges because in experience you do get more hack by way of interest than you pay out in debt charges. We get a capital receipt over and above the cost as you see from our statement, so interest on the balance will in fact reduce the balance on the housing revenue account, and if you take that into consideration when fixing the rent — not all of us do — it will help.

180. In general would it be fair to say that if there is a gain it is not likely to benefit the existing tenants and if there is a

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loss due to the high unit cost of management, it will end up by being charged to the tenant himself?

(Mr Chope.) No, that is a political question. It is a matter of judgment.

181. No. I am trying to ascertain the effects of it as to what extent —

(Mr Newman.) We are not in a position to confirm or refute it. We would like more experience to be able to say.

Mr Dobson

182. I am sorry. If a loss arises is there anyone who can bear it other than the rent payers, the rate payers or a combination of the two?

(Mr Newman.) Yes; the Government.

Chairman

183. Could you tell us what your current programme is for new buildings for dwellings to rent?

(Mr Lancaster.) At the present time we have 1,700 dwellings under construction, and there have been in fact some decisions taken upon those to be sold and those to be let. In fact this is the point Councillor Chope was referring to earlier that we have now in fact taken decisions in advance to give us this lead time to re-allocate properties to be sold. Of the 1,700 it has so far been decided that 142 will be sold and 904 will be let and the remainder of 663 properties are in further stages of construction and as yet not near enough to make a decision on, so that approximately is a breakdown of the figures.

Mr Dobson

184. Of the ones it has been decided to let how many of them are houses?

(Mr Lancaster.) That is a figure I can provide to the Committee but I would have to do some mental arithmetic, which I am not particularly good at.

Chairman

185. There were one or two factual points which we had received, evidence from other sources, and we would like to check them so far as accuracy is concerned. We are told that there had been a policy of moving 200 families a year out of high rise blocks but that this policy was abandoned in 1978, is this correct?

(Mr Lancaster.) Yes and no, Chairman. In fact the quota was 100 a year, not 200, and in fact it was introduced in January 1978 when, as I said earlier, there had been

a very good supply of accommodation coming through from the best re-development schemes. The committee at that stage decided they would fix this quota to enable families living in certain designated high rise estates with the highest number of children living off the ground to move out. Subsequently that policy was reviewed in November 1978 as part of a new transfer policy which was introduced by the new administration coming then into power. At that stage it was decided the quota would be abandoned but that all families in high rise blocks were given a transfer category as if they were acquiring an additional bedroom. On those particular estates what has been happening now, in order to bring down the density in relation to the children on the estates, they would in fact be allocated an additional bedroom. This was a recognition by the Council of the composition of the housing stock. It was felt that with a very large number of high rise blocks above four storeys, which we have, that the 100 quota was not making a very great impact. I think in fact this was a decision which was taken when Councillor Chope was in the chair, which was not directly associated with sales of council houses.

Mr Scott

186. Can we know what the rate of transfer has been under the new scheme?

(Mr Chope.) It is hard to say how many of the people who have actually had their priority increased have been transferred without taking out special figures. Obviously they have gone up into a higher category and they had, even if they had not chosen to exercise it, a greater right to transfer under the local schemes, and they have a high priority for transfer which is managed from the central planning department.

187. But the rate of transfer would have been higher than if it had been a straight 100 under the old scheme?

(Mr Chope.) For those people I do not know whether I can say it would or not.

(Mr Lancaster.) Not in relation to the quota because that is 100 or a special provision to be made in addition to the transfers which were already taking place.

188. In November the new thing came into effect and they were given extra priority within the transfer scheme. I am wondering how the effect of that worked in comparison with your own old rules under



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[Mr Scott Contd.]

the old 100 scheme. Is it possible to do that?

(Mr Lancaster.) I think it is something we could look at and give a paper to the Committee.

(Chairman.) I think you have copies of the evidence we received from the Battersea Redevelopment Action Group. On page 3 there is a table of housing allocations which gives the numbers of transfers falling from 1,017 in 1977 to 700 in 1979, of decants falling from 465 to 180 and those on the waiting list from 698 to 200. We would be grateful if you could check those figures, so far as they agree with the totals on page 37

of your own evidence, except a different of 18 in 1975. Could we have confirmation of those figures from the council so there can be no dispute on them? I think there will perhaps be additional points when we come to reflect on your evidence and we would like you to give us further written evidence\*. We again express our very great appreciation to you for the trouble you have taken in coming today and responding to the questions we have put to you and I am speaking on behalf of the whole Committee in saying that.

\* Printed on page 349.

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TUESDAY 22 APRIL 1980

Members present:

Mr B Douglas-Mann in the Chair

Mr F Dobson

Mr G Johnson-Smith

Mr J Marshall

Dr B Mawhinney

Mr N Miscampbell

Mr J Sever

Mr R Squire

Mr D Winnick

## MEMORANDUM SUBMITTED BY SOUTH LAKELAND DISTRICT COUNCIL

## Sale of Council Houses

I refer to copy of letter dated 18 February 1980<sup>1</sup> from the Committee Office, House of Commons.

The joint observations of the Treasurer, Planning and Housing Departments are:—

## (A) Financial Aspects

- (i) No evidence is available of the likely extent of sales. The Council's present policy is not to sell and, as the tenants are aware of this, they are no doubt waiting until they have the statutory right. Nevertheless, there have been some enquiries by letter and by telephone.
- (ii) Because reports issued by the Department of the Environment and the Chartered Institute of Public Finance and Accountancy have been of only limited assistance, and there are so many points still to be answered, we have not anticipated any gain or loss at present.
- (iii) Once again, because of the many points still to be clarified, no attempt has been made to anticipate the financial effect of the sales. It is unlikely that the authority will derive any financial benefits if it has to provide tenants with finance. Net rents of the older properties with relatively light debt burdens make a considerable contribution towards limiting rents on the more expensive properties built in the last ten years; significant sales of the former will, by virtue of the discount terms, tend to increase average rents.
- (iv) Very unlikely. Might inhibit the improvement of older houses if they are going to be sold. There would be a tendency to spend capital money in the HIP allocation on property likely to remain in the Council's possession.
- (v) There will be very little saving in the rural area unless all the Council-owned dwellings in each particular village or rural community are sold. Otherwise, maintenance liabilities are expected to reduce in rough proportion to sales (although much depends upon the age and location of the properties sold). Management costs are less elastic.
- (vi) The loss of relets commenced shortly after the proposed legislation became known to tenants. There has always been a proportion of tenants who were intent upon home ownership and, after a period as a Council tenant paying a reasonable rent, would have saved enough to put down a deposit for a private house. The option to purchase, with a sizeable discount, the house they have lived in for several years is a much more attractive proposition and I anticipate a loss of about 20 dwellings each year for reletting because of this.

A greater loss of relets will occur in the future when existing occupiers die. The timing and extent of this can only be a guesstimate. There have been enquiries from persons who no longer live in Council houses but wish to fund their elderly parents' purchase of the houses they rent from the Council. Doubtless this type of purchase will materialise regardless of the provisions contained in Paragraph 4 of the Bill. I estimate an additional loss of relets of between 10 and 30 per year, commencing in approximately 6 years' time.

<sup>1</sup> Printed on page 1.

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- (vii) Anticipated need for replacement:—  
HIP target of 60 per year + loss of relets as outlined in (vi) above.
- (viii) It is not anticipated that there will be any significant sales of Council flats under leasehold arrangements; the Council has very few flats and none over four storeys.
- (ix) Some tenants have already noted this possible option and seem keen to take it up. I foresee a considerable take-up, with resultant problems for the local authority. Pressure for repairs and replacement of fixtures during the two year option would be exerted by tenants. Even the prospects of the replacement of a fireplace or a sink unit, or repainting, would probably make it financially attractive for a tenant to pay rent for a while longer, and a re-roof or re-wire would be extremely valuable to the intending purchaser. I surmise the local authority could delete modernisation programmes for houses where the £100 "deposit" has been put down, but doubt whether other major repairs could be refused.
- (x) a. Any Council tenant who purchases will be in the same position as any private tenant who purchases the dwelling he occupies. If the Council tenant has to pay the full market price of the dwelling the difference between the present subsidised rent and the mortgage repayments could be considerable. However, most tenants will purchase at a discount so the difference should not be as great. Any loss must be set against the eventual ownership of the dwelling with its subsequent capital gain.  
b. Tenants who do not purchase will obviously have to pay increases in rent as the dwelling gets older and if repair and administration costs continue to rise. There may well also be a tendency for average rents to rise as a result of the reduced pool of houses (see paragraph (A) (iii), page 68).
- (xi) We have no evidence at the moment, but our average rent is £7.62 per week and mortgage repayments will probably be well in excess of this figure.
- (xii) There would be a small, hardly noticeable effect as we do have a trickle of tenants who purchase houses on the private market. If they could purchase their Council houses there would be a slight reduction in demand.
- (xiii) It is anticipated that sales of Council dwellings will not contribute to the prosperity of the local economy. Owner-occupied housing forms a large part of the total dwelling stock (78 per cent) and there is a shortage of rented accommodation for local people. This Authority operates a 'Key Worker' policy with its present stock to assist local employers establish employees in the area.  
The District now has very high house prices throughout its area and there are large numbers of persons employed in relatively low-paid service industry, seasonal tourism employment and agriculture, who cannot afford to purchase a home of their own. The existing stock of Local Authority rented housing spread across the District is especially valuable for this sector of the community. Without sufficient rented housing stock in some areas, caused by sales of Council dwellings, the local economy and communities may suffer.
- (xiv) This information is not available.

**(B) Social Aspects**

- (i) (See A) (iii). Management of Local Authority stock has so far largely avoided the creation of difficult-to-let estates, but some are more popular than others and sales will be proportionately higher on those. Tenants intending to purchase are presently seeking transfers to more popular estates and endeavouring to engineer mutual exchanges to that end. Such mutual exchanges are difficult to resist, but doubtless will result in the less popular estates becoming even less so and the creation of difficult-to-let areas seems inevitable.
- (ii) The Council's present restrictions on admittance to the waiting list, viz:  
Applications will be considered from any person in housing need age 18 and over who

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- (i) lives in South Lakeland District; or
- (ii) works in South Lakeland District; or
- (iii) while not now living or working in the District, has strong links or can show a need to be housed especially in this District.

mean that the waiting list figures do not reflect the true demand. A great many more families would like to move to this desirable area for retirement and/or outdoor leisure pursuits.

There are 1,919 families on the waiting list at present and it is pertinent to note that the last review of the waiting list was undertaken in January 1980. The number in need (irrespective of time on list) according to the Council's points scheme is 1,246. Comparative figures are:

	Total	In Need
January 1979	1,542	1,028
January 1978	1,528	1,019
January 1977	1,449	966
January 1976	1,407	940

Prior to January 1979 demand has remained almost constant, but it has arisen dramatically in the last nine months. Doubtless the 15 per cent mortgage rate is a relevant factor, but the option to purchase a Council house at a preferential rate may also be attracting families to that option.

- (iii) The availability of properties for letting by the Local Authority has remained a very small proportion of the total stock over the last few years. New tenancies created by relets have run at approximately 3 per cent of total tenancies each year since 1977. Properties remain vacant for a minimal period before being re-occupied. In rural areas where there are few Council dwellings, new lettings are rare and it has been calculated by the Housing Department that prospective tenants may have to wait in excess of five years.

In the private rented sector (3 per cent of total dwelling stock) the Rent Officer reports a decline in the number of properties available for letting to local people. Dwellings previously available have been sold for owner-occupation, second or retirement homes and used for holiday lettings.

- (iv) The sale of Council houses is expected to increase the demand for Council housing because:
  - a) the option of purchase in due course is financially more attractive than other options
  - b) there is a distinct possibility that mortgages for private sector housing will be more difficult to obtain, thus forcing more families to apply for Council housing.

Ability to provide housing for the special groups listed will be reduced. It is a forlorn hope that sales will produce sufficient capital to rebuild one for one. General purpose bungalows which are largely used for old persons will probably be lost for that purpose once they are resold.

- (v) The Council will be less able to meet demands for transfers because:
  - a) there will be fewer properties;
  - b) there will be a poorer selection as sales are likely to be proportionately higher for the more popular estates.

Transfer policy is geared to make the best use of housing stock, and this good work is likely to be inhibited with a reduced selection of dwellings.

- (vi) Information not available, as no dwellings have been sold since Local Government reorganisation.
- (vii) No significant effect is envisaged.
- (viii) Nil.

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- (ix) There has been no formal consultation between the District Council and the County Council concerning the impact of sales on their functions, e.g. industrial promotion, social services and education.

Viewed from the District Council's standpoint, there is concern that reduction of numbers of dwellings for rent will hit the low-paid rural workers especially hard. In general, it may force local people to look outside the District for accommodation and add to the present undesirable population trend, i.e. out-migration of the young and economically active. The ageing populations of rural communities will pose problems for social services and health care. Rural schools may be closed due to fewer children in some settlements where housing costs act against young families finding homes.

- (x) District Council local planning and development control policies accord with the draft County Structure Plan strategies concerning population, housing and employment.

Briefly, the background to the strategies is:

- substantial population growth since 1971 (+ 8,550 persons), actively encouraged by provision of housing land for private development
- population growth was not related to expansion of employment, but was principally due to immigration of retirement and older age groups
- rapidly rising house prices during the past few years, contributed in part by pressure from second or retirement home buyers, has made it difficult for rural communities to maintain a balanced age structure
- reductions in demand for public services in rural areas, particularly public transport and primary education, could lead to loss of services.

The basic strategy seeks to reduce the levels of in-migration substantially, but accepts that significant growth will nevertheless take place. It is expected that control of the supply of housing land will play a major role in restricting population growth and that substantial growth in employment may be achieved by taking advantage of the economic potential of the area.

Sales of Council dwellings would restrict the Authority's opportunity to maintain a balanced age structure in rural communities by renting accommodation to low-paid workers with young families who could not afford to purchase a similar house locally.

It is expected that in this very popular area some Council dwellings sold to tenants will ultimately become second or retirement homes, despite a ten year period during which the Local Authority may purchase on re-sale.

Loss of Local Authority rented dwellings will reduce the availability of stock for 'Key Workers' policies and may cut down labour mobility and housing choice for the lower paid.

The Department of Industry, Development Commission and Council for Small Industries in Rural Areas have programmes for expanding employment in settlements throughout the District. Sale of Council dwellings reduces the likelihood of employees gaining local rented housing and may well act against these "rural regeneration" exercises.

It must be stressed that South Lakeland is one of the most attractive areas in England, containing parts of two National Parks and an Area of Outstanding Natural Beauty. It is also very accessible to northern conurbations via the motorway network. Local people face competition for housing from commuters, persons seeking second or retirement homes and holiday lettings.

There is emerging evidence that local house prices are forcing first-time buyers out of the district and rented accommodation is very scarce. Housing Association dwellings are very limited, although the Housing Investment Programme anticipates an expansion of their activities to cater for local persons. High property values may make it difficult for the Local Authority to purchase dwellings previously sold to tenants during the proposed ten-year 'first option' period.

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[Continued]

Land suitable for new housing is scarce and development costs are high. The Local Authority has a modest building programme (approximately 60 units per annum) catering mainly for the elderly and small households. Loss of family units will restrict the Authority's freedom of stock management and it is doubtful whether dwellings in rural areas could be replaced.

- (xi) The advantages and disadvantages envisaged are predominantly in the National Parks and other rural areas:

**Advantages** The Bill will give local working families their chance to purchase a house in their home area, leading to greater rural stability.

**Disadvantages** Eventual loss of rented accommodation in these areas for the families who work there but will never achieve house ownership.

Loss of housing for farm workers and similar rural craftsmen.

Less facilities to match up to the Rent (Agriculture) Act and Housing (Homeless Persons) Act commitments.

Probability that upon resale, after any pre-emption period, an ex Council house will become a second or retirement home for a family who will contribute very little to the rural community. The drift from some rural areas is pronounced and the financial incentive associated with re-selling a house might further encourage this drift. The most lucrative sales will doubtless be those to second home buyers and persons wishing to retire to rural areas, and such people will contribute little to rural communities.

- (xii) Not applicable.

- (xiii) No properties have been sold as vacant dwellings.

- (xiv) No information available.

- (xv) No evidence available regarding extent and timing of resales of former Council dwellings.

- (xvi) Limited evidence is available regarding the role of resold former Council dwellings, but they are not forming a low priced stock of houses. New houses are available below the price of former Council dwellings and occupiers are not all first time buyers. I do not expect that another spate of sales will produce different trends.

- (xvii) See (A) (vi). A syndicate of local persons who were fortunate enough to win £80,000 each on the pools last year have all hung on to their Council houses and are expressing an interest in purchasing.

### (C) Background Material

- (i) The total dwelling stock, calculated 1979, is 39,627.

Tenure composition:—

Public Sector			Private Sector		Total Public and Private Sectors
Local Authority	Housing Association	Other Public Sector	Owner Occupied	Private Rented	
6,773	230	147	31,202	1,275	39,627
17%	6%	4%	78%	3%	100%

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[Continued]

The total dwelling stock shown in the 1961 Census was 25,183.

Tenure composition:—

Public Sector			Private Sector			Total Public and Private Sectors
Local Authority	Housing Association	Other	Owner Occupied	Private Rented	Tied	
4,966	n/a	n/a	11,316	7,247	1,654	25,183
20%	n/a	n/a	45%	29%	7%	100%

Changes over the last 20 years:—

Public Sector			Private Sector			Total Public and Private Sectors
Local Authority	Housing Association	Other	Owner Occupied	Private Rented	Tied	
+1,807	+230	n/a	+19,886	-5,972	n/a	—
+7%	+1%	n/a	+79%	-24%	n/a	% of 1961 Census

(ii) Estimates of future housing demand and supply stem from the Draft County Structure Plan and the Housing Investment Programme:—

		1981	1986	1991
(a)	Structure Plan			
	Private household population .. ..	96,700	97,700	99,150
	Total stock required .. ..	40,600	42,100	43,800
	Additional stock required over 5-year periods	+2,200	+1,500	+1,750
(b)	Housing Investment Programme	1979	1984	
	Private household population .. ..	95,500	97,900	
	Total stock .. ..	39,627	41,646	
	Approximately additional stock required over 5-year period .. ..	—	+2,000	

Construction of new dwellings by different sectors estimated:—

Local Authority .. ..	290
Housing Associations .. ..	80
Private Housebuilders .. ..	1,600
Other Sectors .. ..	20

It is estimated that there is a current shortage of approx. 650 dwellings for the number of households in the District and this shortage is expected to grow to approximately 750 in 1984. The anticipated building rate of 400 dwellings per annum will not cope with demand from every household over the five-year period.

(iii) It is not this Council's policy to sell Council houses.

Chief Housing Officer

10 March 1980

22 April 1980]

[Continued]

## ANNEX

## South Lakeland District Council

*Housing*

**RESOLVED** — That representations be made to the Government, the Association of District Councils and the local Members of Parliament that the whole of the South Lakeland District be designated as a region to which the limitations on re-sale would apply, rather than just those parts falling within the National Parks and Areas of Outstanding Natural Beauty, and, further, that re-sales be restricted to persons living or working in the area subject to an overall limitation giving the Council the right of pre-emption during the first 10 years after disposal.

*Sale of Council Houses*

The Committee were informed that the Council had been chosen as one of the authorities invited to submit written evidence to the Environment Committee (a Select Committee set up by Order of the House of Commons) which was currently looking into the issue of the rented housing sector and which would first take evidence on the financial and social implications of the sale of Council houses.

Written evidence (copies of which were circulated to members) had been supplied on behalf of the Council.

When the Select Committee had considered the written evidence, a number of local authorities and other organisations were to be invited to give oral evidence.

A letter had been received from the Clerk to the Environment Committee seeking confirmation that the written evidence submitted had been approved by the Leader of the Council or other representatives of the majority group.

**RESOLVED—That**

- (1) the written evidence submitted on behalf of the Council be approved by the Committee, of which the Chairman of the Council is a member;
- (2) in the event of the Council being invited to give oral evidence, the Chairman of the Council, the Chairman of the Housing Committee, the Chief Executive, the Chief Housing Officer and (if numbers permit) the First Assistant Treasurer, be authorised to attend for such purpose; and
- (3) the attendance be regarded as approved duty (all allowances).

*Housing Investment Programme 1980/81*

A letter was presented from the Department of the Environment informing the Council of the Government's decisions on the housing capital allocations for local authorities in the year 1980/81. It described the main policy considerations underlying those decisions, and notified the Council of the sum allocated to them as the maximum they could spend on their programme namely £1,880,200.

The Treasurer presented, and reported on, a draft programme of works for the year 1980/81, and the Chief Technical Services Officer presented a report referring to the stages reached in the preparation of the proposed new building schemes (most of which were only at a preliminary stage) and making recommendations as to the works he suggested might be carried out under various other heads (re-wiring, improvements, eradication of condensation, car parks, landscaping, etc).

A type of ventilation apparatus (to be fitted in roof spaces to provide air circulation with the object of eliminating condensation) was displayed. The Chief Architect stated that an order had been placed for ten of these machines at a cost of £114 each and that, as an experiment it was proposed to install them in some of the Council's dwellings suffering from condensation and the resulting mould or fungus growth.



22 April 1980]

[Continued]

*Sale of Council Houses*

I refer to the Clerk to the House of Commons Environment Committee's letter of 11 April 1980†.

We cannot effectively compare Southwark's\* experience with our own; perhaps all that can be said from South Lakeland's standpoint is that although the 1980/81 HIP was a shade less than we had hoped for it is unlikely to limit to any great extent the Council's ability to proceed with the new construction, repair and improvement programme it has in mind. The Chief Architect might perhaps argue for more funds with which to undertake capitalised repairs but as such work does not attract subsidies, the governing factor here is the amount of rents available to finance the revenue consequences of such additional borrowing power — which at the moment is NIL.

On his second paragraph, it is difficult to judge from Cmd 7841 whether the 28½/29½ per cent reduction on 1979–80 spending levels projected for 1981–82 and 1982–83 will cause this Council problems on the capital expenditure side, as the White Paper does not attempt a breakdown between the several elements of public sector spending on housing. The general thrust of the text seems to suggest that the Government are seeking to obtain the projected total reduction largely from subsidy reductions and increased council house sales; if this is to be the case then perhaps the effect on local authority capital investment may not be too adverse. I must however point out that an increased credit from council house sales is illusory as it will probably be matched by an almost equivalent increase in mortgage lending. That being so, then only if the whole of the reduction comes from subsidy reductions (at what social/inflationary cost in rent increases?) could we be satisfied that our 1980–81 and 1981–82 capital programmes could flow on materially unabated. My judgement is that this is unlikely and that the only option open to the Council will be to halt almost all new building/acquisition, other than perhaps modest sheltered housing/disablement/homelessness projects and to concentrate what may be allocated upon ensuring that as far as possible our existing (or reduced) housing stock is kept in as good order as allocations/rents allow.

*Treasurer*

15 April 1980

**Sale of Council Houses**

I refer to copy of letter from the Clerk of the House of Commons Environment Committee†.

Our Housing Investment Programme allocation for 1980/81 was virtually 100 per cent of our bid and I assume that special problems do exist in areas such as this with 2 National Parks and the problems associated therewith as explained in the previous letter to the Clerk of the Environment Committee.

Over and above the additional administration resulting from a tenant's right to buy policy, the security of tenure and rights of secure tenants section of the Bill will doubtless increase the administration workload. No financial provisions have been made for these factors.

I would hope that our Housing Investment Programme bids for 1981/2 and 83 are similarly to the 1980/81 bid, and that the Council is thereby permitted to carry on with its housing programme on a very modest and realistic basis, otherwise I envisage a return to the early 1950 situation with a very high proportion of young married couples having to spend many years with parents or in-laws. This would doubtless increase the number of homeless persons and the bulk of re-lets would have to be allocated to those persons. Once housing applicants sense that the short cut to permanent housing is via the homelessness. In my opinion it seems that an appreciable increase in private property for letting as a result of the proposals in the Housing Bill is extremely unlikely, the holiday letting option being much more attractive.

†Not printed.

\*Evidence page 20.

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The Treasurer is to cover the financial aspects, I merely add that I will be surprised if Housing Investment Programme allocations for 81/82 and 82/83 are to be a fixed percentage of the 80/81 allocation without any regard for special circumstances, such as exist in a National Park.

Housing Committee has approved investigation into the possibilities of shared-ownership schemes for next year, but I would like to think they could be in addition to our modest building for special groups, the elderly, handicapped, and one parent family for instance.

*Chief Housing Officer*

16 April 1980

22 April 1980]

COUNCILLOR A WARD, COUNCILLOR W STEWART,  
MR R CANNON and MR P DUFF

[Continued

### Examination of witnesses SOUTH LAKELAND DISTRICT COUNCIL

COUNCILLOR ABEL WARD, Chairman of the Council, COUNCILLOR W STEWART, Chairman of the Housing Committee, MR R CANNON, Chief Housing Officer, and MR P DUFF, Assistant Treasurer, called in and examined.

Chairman

189. Good afternoon. Can I thank you very much for the trouble you have taken both in the presentation and preparation of your written evidence and for coming down to give oral evidence to the Committee. We realise the sort of questionnaire which the Committee has been sending out imposes a considerable burden on local authorities and we are very grateful for the trouble which local authorities have taken in answering it. South Lakeland's was one of those whose evidence we felt we wanted to explore in a little greater detail than the written paper because the aspect with which your evidence is particularly concerned, the problems of rural areas and areas of outstanding natural beauty, is one which we particularly wish to explore in rather greater detail than we have been able to so far. Although the Committee Members' function is to seek if we can to produce a unanimous report on the financial and social implications of the sale of council houses, it is probably helpful to the witnesses to know that the Members of the Committee who are sitting on my left are Labour Members and those on the right are Conservative Members. I am not sure I am supposed to say that but I am sure that if I were giving evidence to a Select Committee I would like to know which side the questions were coming from. Could I start by asking you if you could tell us something about the distribution of the local authority houses in your area and tell us whether the bulk of the property is scattered throughout the area or is concentrated in particular towns and villages?

(Mr Cannon.) We have about 90 parishes in South Lakeland and the areas of council houses are spread in 77 different localities and that is counting each of the towns as one locality so a place like Kendal has several estates but it is counted as one. The local authority has looked at this and decided that one or two additional houses were required in the smaller communities and two or three hundred in the larger communities, so as to spread it out across the area.

190. Can you tell us how many of the

households are housed through the key worker policy?

(Mr Cannon.) Yes, not a lot because the Council have a pretty tight policy with key worker housing. They specify only will they give key worker housing to those who will introduce fresh industry or maintain present industry. It has been as low as nine or ten over the last few years.

191. To what extent has there been a growth in the demand for local authority housing in the area and what is the reason for that?

(Mr Cannon.) It has remained fairly constant since 1974, since reorganisation. It has not varied by much more than 100. The list is reviewed twice each year so it is reasonably adequate and sensible. This last year it has gone up about 25 per cent.

192. The waiting list or the applications?

(Mr Cannon.) The waiting list. I can only attribute this to the fact that there are fewer people who can afford present house prices and that mortgage rates are above what they used to be.

Mr Marshall

193. How many of your dwellings are in the National Park itself?

(Councillor Ward.) About one-third.

194. How many of those are key workers?

(Councillor Ward.) Very few.

195. Could I press you further on the key workers? Could you give us a rough and ready view of how many key workers you have in local authority dwellings?

(Councillor Ward.) You mean that we find houses for?

196. Yes.

(Mr Cannon.) About nine or ten per year.

197. What would be the total number of key workers in your housing staff?

(Mr Cannon.) I am afraid I cannot give you anything like accurate figures because

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MR R CANNON and MR P DUFF

[Continued]

[Mr Marshall Contd.]

sometimes if it is a guy on a particularly good salary we give him a house for a year or something like that.

198. What industries are there?

(Councillor Ward.) Glaxo, Ulverston, Ashley Electrical, K Shoes in Kendal. Those are the main ones. We have some smaller industries but we are one-third tourism, one-third industry and one-third agriculture.

Dr Mawhinney

199. Could you tell me how many of the houses were built between 1900 and 1930, 1930 and 1950 and subsequent to 1950?

(Councillor Ward.) About one-third before the last war; the rest since.

(Dr Mawhinney.) About one-third before 1940?

Chairman

200. It may be appropriate for the witnesses to give us a written supplementary on that sort of information\*.

(Mr Cannon.) 25 per cent were pre-war.

Mr Dobson

201. Are they predominantly in what were urban districts?

(Mr Cannon.) The pre-war houses, yes.

(Councillor Ward.) We are the fifth largest area in the country. The 600 square miles has only 94,000 population, mainly concentrated at Kendal and Ulverston.

202. Two points on key workers: is it not the case that there will be people who are housed by you who, if they came to you, you would treat them as key workers but from your point of view they are not key workers when you house them?

(Councillor Ward.) I have not followed.

203. You house them simply because when they apply you regard them as key workers?

(Mr Cannon.) Yes.

204. But presumably there are also people already living in your housing who, if they were coming into the area, they are in jobs which are called key worker jobs?

(Mr Cannon.) Very much so.

205. Do you treat agricultural workers in some of the Lakeland villages as key workers or do they get an advantage?

(Mr Cannon.) If it was several farms

joined together and they needed a specific expert to run that farm, yes, it could be considered as such.

Chairman

206. Can you tell me to what extent the Land Agricultural Act has imposed obligations on you to provide housing?

(Mr Cannon.) You mean the man finishes and wants a house?

207. Yes.

(Mr Cannon.) Only in very few cases — about eight or nine.

208. Can you give any indication as to what the average price might be expected for a local authority house on the open market in the National Parks?

(Mr Duff.) I have made some enquiries from the house agents in the area and they seem to divide our area into four, one which covers the centre of the Park, the Ambleside area, the area round Windermere and the two main towns, Kendal and Ulverston. In the Ambleside area, and Grasmere, a normal, modern, three-bedroomed, semi-detached house is in a bracket from £35,000 — £40,000. In Windermere it is from £32,000 to £35,000; in Kendal from £22,000 to £25,000 and in Ulverston from £20,000 to £25,000. Those figures have been made available by talking to local housing agents.

209. How many of your existing tenants would you imagine would be likely to be able to buy property in the private open market?

(Mr Duff.) Very few indeed. I think Mr Cannon obtained some figures and they showed that in the last 12 months there were 12.

210. What percentage is that?

(Mr Duff.) Out of 6,800 tenants.

Dr Mawhinney

211. But the question was how many you thought might be able to afford in which is different from the number that did.

(Mr Duff.) I cannot answer that.

Chairman

212. That was the numbers who did buy?

(Mr Duff.) That is the number who did buy in the last 12 months, yes.

213. Turning to the Housing Bill, can

\* Printed on page 353.

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COUNCILLOR A WARD, COUNCILLOR W STEWART,  
MR R CANNON and MR P DUFF

[Continued

[Chairman Contd.]

I ask your views about the adequacy of the safeguards contained in Section 18 of the Bill to protect houses in the National Parks and Areas of Outstanding Natural Beauty?

(Mr Cannon.) We are aware that two amendments have been put in. I am supposed to know about those, I assume. Firstly, we feel there is some sort of a loophole in as much that unless one amendment goes through, at no stage does the house have to be occupied by the purchaser and we fear that some local person who has lived or worked in the area for three years could join with a financier from outside the area, buy the house and not be tied to living in the area. We would have thought that it might be worthwhile asking whether this could be in addition to the present wording in the Bill rather than instead of. We would have liked this to be a main home in addition to the qualification that it could only be sold to a person who has worked in the area for three years and again if the local authority could have the right of pre-emption for ten years it would at least give the local authority time to assess the position and see what was going to happen and, if necessary, try to get geared up to provide additional sites for houses that they may well have to provide. We would ideally like to see the three things: the one in the Bill and the two amendments linked together so that it is the three together.

214. What time limit are you proposing to apply to the covenants under Section 18?

(Mr Cannon.) We would have liked it to be left to the local authorities' discretion because we may well like to opt out of some of these covenants. We may get to the stage where we have a village which has gone to second homes and no one wants to live there.

215. Would you prefer to be able to say, "If we have to sell, we would sell in one village, but we will keep another village as wholly council?"

(Mr Cannon.) That is one we have not examined.

(Chairman.) It is a point which occurred to me.

Mr Winnick

216. It seems, going by the evidence which you submitted to us, that the number in need has constantly risen. You tell us that the number in need — page 70 — is 1,246 and that is quite a substantial

increase, is it not, on the January 1979 figure?

(Mr Cannon.) Yes.

217. You do make reference to the mortgage rate but are there other factors why this has gone constantly up, the number of people in need?

(Mr Cannon.) Purely, we think, because of mortgage rates going up to 15 per cent and house prices continuing to spiral.

(Councillor Ward.) For example, recently a young couple with two children were in private rented property. They bought a semi-detached for £23,000. He could only put £2,000 down but he did manage to get a mortgage because he worked for a building society at the time and he is going to pay over £50 a week for the next 25 years, so it means he is not going to be able to be so well off.

218. How many people do you feel on the waiting list have any way of solving problems either by buying their own house or I see there is a reference here to the declining privately rented sector, except by buying houses by your authority?

(Mr Cannon.) The Council has been examining a shared ownership scheme in line with the Department circular which came out when we got our HIP allocation this year. If we were able to do that — and I would hope it would be in addition to the small programme which we have to provide units for old people and so on. Then some of these people would jump on the bandwagon and I think that would be smashing for them but only if we can do that in addition to rather than instead of providing small numbers of units.

Mr Marshall

219. Could I come back to what you said before about perhaps the district council would, in certain circumstances, wish to opt out of certain villages which in the district council's view, had become primarily villages of second homes? Would you not perhaps think that this would negate the responsibilities both of the district council and perhaps the county council? I do not know whether you have had discussions with the county council on this point but would you, as a district council, think it desirable that certain villages should just be occupied by people who have second homes in that particular area?

(Mr Cannon.) I am sorry if I gave that impression. That is not what I intended.

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[Continued]

[Mr Marshall Contd.]

We have always tried to regenerate the villages.

220. But, with the greatest respect, you did say that there would be certain villages where there was such a predominance of second homes that the district council would not wish to exercise the rights in the ten year covenant because it would wish to pull out altogether. That is not the district council's view?

(Mr Cannon.) It could be if the second home business took over so much more and possibly is aided in taking over by the sale of council houses. We could reach the situation where people did not wish to live in that village any more. I can quote an odd hamlet where it is now only the pub which is occupied the whole year round. There are not any council houses in that hamlet but once the second homes have taken over everything else disappears. I might say that we have tried to regenerate the villages. Whenever a family house comes to let in the village area we put a family in who are going to regenerate the area rather than thinking it would be nice for Mr and Mrs So-and-So to retire there.

221. So the ten year covenant plus pre-emption would assist your policy?

(Mr Cannon.) Yes.

Chairman

222. To what extent do you think the restriction on the Housing Investment Programme allocations have made it difficult for you to use the pre-emption rights of Section 18?

(Mr Duff.) We had a look at the number of council houses that had been sold prior to reorganisation and three authorities of the eight had sold houses previously and they had sold 400 up to 1974. We have only had to purchase back two, so it is really not a problem at this stage. Our Housing Investment Programme allocation this year was very nearly the same as we asked for. That must be some sort of a record. I do not think it is a problem and it has not been and it is unlikely to be.

Mr Miscampbell

223. You have instanced one hamlet. Have you many villages which you would describe are on the danger list already of becoming second home ghettos, as it were?

(Mr Cannon.) No true villages. That is a hamlet of possibly only ten or a dozen houses.

224. I just wondered whether there were many areas where you felt it was beginning to get to a crisis position.

(Mr Cannon.) We have had a survey done by some of the planners and they have given us percentages of the second homes in various areas and it gets as high as 34 per cent in one parish, 23 in Grasmere for instance; one area outside the National Park is 13 per cent.

225. 34 or even 23 is a very significant feature in any village.

(Mr Cannon.) Yes.

Mr Johnson-Smith

226. On this question of second homes and the ability of local people to purchase, most of the dwellings being built are by the private sector and are strictly for sale and not for renting?

(Mr Cannon.) Yes.

227. Without estimating the ability of people to pay, I know it may be unrealistic to expect people to pay prices of this kind, for those in the lower income grade, but what I would like to explore is the council's guesstimates of the levels of incomes of their existing tenants. Is a rebate scheme operated by the council?

(Councillor Ward.) Very much so.

228. Presumably you have some idea of those who are above or below the national average income?

(Mr Duff.) About one-third of our tenants qualify.

(Councillor Ward.) Rent and/or rate rebate.

229. The average rent is £7.62. Judged by standards elsewhere in the United Kingdom that would seem rather a low rent. Does it include any other charges on top of that?

(Councillor Ward.) No, rates are on top.

230. Does it include heating charges?

(Councillor Ward.) No.

231. It is sometimes very difficult when you read articles in the newspapers about what people expect to pay in rented accommodation provided by local authorities. It is only when you get to the nitty-gritty that you find it means something more than that and sometimes rates and heating charges and even in some instances provision of refrigerators are included. What therefore

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[Continued

[Mr Johnson-Smith Contd.]

is the total outlay of the people paying a non-rebated rent in the local authorities' rented accommodation?

(Mr Duff.) There is a very small number of properties where we make charges for refrigerators and heating. I think you must regard this £7.62 as pure rent.

232. What is the total outlay in the course of a week that you would expect your tenant to pay who is not rebated?

(Mr Duff.) We have houses in the Windermere area and the Grasmere and Ambleside areas and net rents are getting into the £12 and £13 bracket with rates and water in addition.

233. And that would be what?

(Mr Duff.) £15 to £16 a month.

234. What would you say is the average total outlay? I know it varies from area to area but what I am trying to discover is what is the total outlay of a person living in a local authority dwelling. I am not taking rent because that is not the whole picture. It is rates plus heating charges and so on, so what would it be?

(Mr Duff.) You mean in addition to rent and rates?

235. Yes, I am talking of the total outlay, because that is what is significant. It is what you have to pay at the end of the week to your local authority.

(Councillor Ward.) You mean including light and heat?

236. I am looking at the total outlay. When a person is in the dwelling, when you decide whether he should be rebated or not, you take into account presumably all the charges he will have to bear as a council tenant, which include not just the rent but the rates as well and presumably the basic heating charges, if there is a centrally supplied source of central heating.

(Mr Duff.) We operate the standard Government scheme and no extras. What you are really getting at surely is what is the average wage level?

237. First, I am trying to establish what you believe to be the average outlay by a council tenant on the property — rates, rent and heat — and relate that to the average wage you suspect that you have amongst your tenants. You must have some idea, otherwise you cannot operate the rent rebate scheme.

(Councillor Ward.) A man, wife and two children can qualify for some rebate on a £60 a week wage.

238. So if it is below £60 a week, there is a rent rebate working?

(Councillor Ward.) We will give you written evidence on that\*.

(Mr Johnson-Smith.) I think it would be helpful when determining therefore the extent to which a tenant may find it better value. It may not in many instances because there are differences in conditions in different parts of the country, but it may be worth his while to purchase.

Mr Miscampbell

239. I have no doubt you will do your best with written evidence, but if you take averages with this district, are not we in the rather peculiar situation here that the highest price that house would fetch in the open market is broadly similar to the lowest earnings — that is in the most scenically attractive places you get the higher prices, whereas in the higher earning Kendal, Ulverstone, you have the lowest prices, so it is quite a reversal from the normal situation and averages are not going to do us much good. The pressure to buy in an estate in Kendal is not going to be the same as the pressure in attractive position in Ambleside, but the Ambleside worker is likely to be on a tourist-based wage.

(Mr Duff.) This is perfectly correct.

(Mr Cannon.) A man has to pay for heating or rates whether he is an owner occupier or a tenant.

Mr Johnson-Smith

240. But in some instances councils do throw in flat rate charges.

(Mr Cannon.) We do not do any of that.

(Mr Duff.) There is only an infinitesimal number, about a dozen or 20, where we make charges for heating.

Dr Mawhinney

241. This arises out of two things. One, the comment that was made earlier about inability to tenants perhaps to meet some of the purchase prices being asked for houses and secondly, in terms of your written evidence where you say, on page 69, "Tenants who do not purchase will obviously have to pay increases in rent as the dwellings get older . . ." I assume that you are also suggesting the newer dwellings are more likely to be sold, so the age of the housing stock will get older. What thought,

\* Printed on page 353.

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[Continued]

[Dr Mawhinney Contd.]

from a policy point of view, have you given to what is generally called "home-steading"? That is to say, taking the worst of your stock, that which would be most expensive for you to maintain but which would be cheapest for purchasing and making arrangements whereby those who perhaps could not afford to buy council houses at the market value are given access at greatly reduced values if they take on houses that are inferior in quality and are prepared to spend their own money in renovating them?

(Councillor Stewart.) I do not think we have any houses like this in our stock. We have brought our housing stock pretty well up to date, even in the pre-war houses. I presume the district valuer will value these houses and a pre-war house in Kendal at the moment will no doubt bring £20,000.

Mr Miscampbell

242. The locality is particularly important because, like most districts transport is a problem. Nobody is going to be able to move very far from their work.

(Councillor Ward.) This is one of our troubles. Prices are going up in the towns because they do not need to travel.

Dr Mawhinney

243. How serious do you take the possibility, if there is a change in your policy, that such homes will become second homes?

(Mr Duff.) Getting back to the 400 I mentioned that have been sold by the former authorities, we have tried to find out from the local house agents if any of those have become second homes, and they do not think any have. Some have changed hands — and this is contrary to what we have come down about — but none have finished up as second homes, but they were only sold in Kendal, South Westmorland and Windermere. Most were sold in Kendal. Possibly adding to what I said earlier, because of the increase in the high prices that have been asked in the four areas I mentioned, the house agents said there was a ripple going out and young couples living in Kendal, looking for houses, were now moving out of the area to places like Lancaster and commuting.

244. Your written evidence does refer to the possibility that this would happen, that some of the more popular council dwellings would end up as second homes once sold. This is a factor in your mind?

(Mr Duff.) But the Lakes area, which had Grasmere and Ambleside and the more desirable places, did not sell houses before.

(Councillor Stewart.) We are basically talking about the sold council houses becoming second homes.

245. You do begin your evidence to us by stating that the present policy is not to sell. The word "present" — does that mean there was a policy to sell?

(Councillor Ward.) The policy at the moment is not to sell. We have many enquiries but they are for the better type of houses, not the older type of houses. The older the house, the bigger the rebate they will get the longer they have been in.

Chairman

246. On the question of the loss of relets, according to your evidence, the actual rate of relets at present was about three per cent, i.e., 200 dwellings a year. You have told us you have already noticed a loss of relets following the publication of the details of the statutory right to buy. Can you put any figure on the decline in relets which has resulted since the Bill was published?

(Mr Cannon.) By comparing last year — that is 1978/79 — we keep a record of where people go to when they leave council houses, and 32 were buying their own house in 1978 and there are only 12 in 1979/80. It may be we are down to 12 because some people who would have been buying have not because of the 15 per cent mortgage rate but it could be because they are thinking this is a better bet.

247. Is that how you arrive at your figure of 20 units a year lost as a result of sales?

(Mr Cannon.) Yes.

248. Could you tell us how you have calculated the additional loss of another 10–30 relets a year beginning in about six years' time?

(Mr Cannon.) It is something of a guess, as I think I say in the report. We have a high proportion of elderly people in council housing. When we did a survey in 1976 there were 19 per cent occupied by people where the youngest occupant was over 70. We estimate a lot of these are not going to be with us much longer and we have had some genuine enquiries from sons and daughters who no longer live at home.



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[Continued]

[Chairman Contd.]

saying "Can I buy mum's house?" They are looking at the fact that "mum" has been a tenant for more than 20 years and mum will buy at 50 per cent off and when mum pops off, the son is in a nice position to make a bob or two. After the pre-emption clause has ended and the time when they would have to repay part of the discount, some people will be minded to sell, so it is worked from those sort of figures, but it is an estimation.

249. Earlier in your evidence you mentioned the possibility of people buying with the assistance of a finance company. You are obviously envisaging the finance company having a share of the equity. To what extent do you see that a genuine or substantial problem — i.e., people putting up the money to enable somebody to buy who is not going to continue to occupy for very long?

(Councillor Stewart.) People can do that; we think they can operate it.

Mr Marshall

250. You said in the survey that approximately 20 per cent of your dwellings were occupied by tenants, the youngest of whom was about 70. Are they properties designated for old-age pensioners?

(Councillor Ward.) No. We are an ageing population, and I am one of them! I am almost 77. There are a lot more people in our area as active as me of that age. We have people up to their eighties and even hundreds. It is a very healthy district.

251. It appears so!

(Mr Cannon.) We also did a survey to indicate how many people lived in the houses and we came out with a figure of 2,000 odd who had at least one spare bedroom and 1,300 who had at least two spare bedrooms.

Mr Squire

252. Have you had a policy recently to build smaller units?

(Mr Cannon.) Yes, this last two or three years we have been doing that.

253. Do you envisage any particular difference — assuming sales were to become compulsory — in the number of sales you get of the smaller units? Presumably if the majority of the smaller units are occupied by elderly people, they would remain and it would be the larger stuff that would go?

(Mr Cannon.) Largely. I am bothered about some of the lovely little bungalows which are occupied by elderly people, two-bedroomed bungalows in places like Hawkshead and Conniston. Once they have been lost, I can envisage them being occupied by someone who was not intended to be put in that kind of place.

Mr Miscampbell

254. Purpose-built old-age people's homes cannot be sold, can they?

(Mr Cannon.) Some of them. It is only for the ones specially adapted for the aged and infirm and handicapped, but the general-purpose stuff would be eligible for a tenant to buy.

255. If you have one old lady knocking about in a three-bedroomed house, I suppose she is quite happy to move to a smaller holding in many cases. Do you take active steps to move them?

(Councillor Stewart.) They are not always happy to move. There is no compulsion. Our whole building programme is that of smaller unit accommodation and we hope to entice these people from family houses into the smaller units. We have been very successful with the shelter accommodation in one particular estate where everyone was delighted to move, but the point is that that sheltered accommodation was very close to where their roots are. There is a human problem here, of course.

256. You say in your evidence, "Tenants intending to purchase are presently seeking transfers to more popular estates and endeavouring to engineer mutual exchanges to that end. Such mutual exchanges are difficult to resist, but doubtless will result in the less popular estates becoming even less so and the creation of difficult-to-let areas seems inevitable." Could you give us more detail about the evidence you have had on this and the experience you have had?

(Mr Cannon.) We have possibly a rather unusual policy decision whereby an applicant makes his plea for a council house, he names where he wants to be considered for. If he is offered a house in that area, he gets one offer only. If he does not take it, he has lost his place on the list for some time. By doing this, we try to spread the good people amongst the less good people, so that we do not get the problem areas and we have not got anything which is difficult to let. That may be good policy or not. That

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[Continued]

[Mr Miscampbell Contd.]

is the way we operate and I am fairly pleased with the results. It does not mean if a good guy has a horror next door to him he is destined to live there for the rest of his time. I think once we have sold the better houses, we are going to be left with problem areas that we cannot resist. We have not got any yet though.

257. Dealing with the transfer list, to what extent has the transfer list extended since the right to buy provisions have been published?

(Mr Cannon.) I have not come prepared with the answer to that.

258. Would you be able to give us some information about that?

(Mr Cannon.) Yes.

259. To what extent have the exchanges increased?

(Mr Cannon.) Again I have not come prepared to answer that.

(Mr Miscampbell.) We would like an elaboration of your answer, if you would\*.

Mr Winnick

260. On the building of council houses, I have seen the final paper, page 73 of your evidence. What would be your plans as far as building accommodation is concerned to replace those sold under the Act?

(Mr Cannon.) We have said that we would wish to go along with our 60 a year small units plus whatever we are going to lose.

Chairman

261. Will there be any difficulties about that?

(Mr Cannon.) Very much so, particularly in the National Park areas and Areas of Outstanding Natural Beauty. We have recently been involved with the Lake District Planning Board and they have identified the possibility that some land might be released. As soon as it gets known that land might be available for building, the private builders will be on it and we have not got any preferential treatment. We are going to be in tremendous difficulties to try and replace the houses.

Mr Winnick

262. As far as the rents are concerned on any newly constructed units of accommodation, if the older, better houses are sold off, how would that affect the situation?

(Mr Duff.) They would sell off the older

properties which are now helping to subsidise the new properties, which will mean higher rents.

Dr Mawhinney

263. In your evidence you also talk about administration costs continuing to rise. I would like to ask you a bit about the number of people who work in the housing area as far as the council is concerned. Do you have figures on the number of people employed in the housing department and secondly the number of people employed in other departments that service council houses, perhaps direct works departments and engineering departments?

(Mr Duff.) We had better submit that as written evidence because in the Treasurer's department we deal with the rent collection, the technical service department deals with repairs and Mr Cannon deals with the general administration.

264. That would be useful. What estimate have you made of the number of people that you will no longer need to employ as a result of the selling of council houses and what effect will this have on administration costs? The assumption always is that administration costs will rise, but it is at least a point of view that you might well be able to save on administration by reducing manpower as a result of having less stock under your direct control.

(Mr Duff.) It is an interesting point of view but I think it is unlikely to happen.

265. Would it be possible for you to make some estimate in terms of manpower figures?

(Mr Duff.) Our housing administration is cut to the bone and it is unlikely, but we will let you have written evidence as to how many people are employed on housing activities\*.

266. I am sure what you say is right. Sitting here, one hears every council in the country saying that every council is cut to the bone every year and it is difficult to know where the bones are sometimes.

(Mr Cannon.) We have to look at the comparative costs and if we sell three houses out of four in the village, the maintenance of the one that is left becomes damned expensive. Then we have to send a rent collector out to that one house.

267. It only becomes more expensive, with due respect, first of all if all small

\* Printed on page 353.

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[Continued

[Dr Mawhinney Contd.]

houses happen to have a problem at the same time.

(Mr Cannon.) Not if you are doing planned maintenance.

268. And secondly if you stick to rent collectors for one house rather than perhaps looking at other ways to collect rent which might be more cost efficient.

(Mr Duff.) We have looked at other ways of collecting rent. We collect by personal rent collection. We have looked in great detail at the possibility of introducing Giro but we do not think our rent collection would be as good.

Mr Dobson

269. Would you not agree, from your studies of that problem, that any alternative to collection by rent collector will automatically lead to an increase in rent arrears?

(Mr Duff.) Yes.

270. Have you yet made any assessment of the cost to the council in additional manpower and other aspects of having to sell council houses?

(Mr Duff.) I do not think there would be any permanent addition. We might have to take someone on to deal with the initial surge and there will be many hundreds of enquiries at first but there will not be hundreds of cases, I do not think. We had in mind one of the treasurers (one of the former chiefs) who retired. We thought he would be an ideal chap to turn to for two or three months to deal with this particular problem.

Dr Mawhinney

271. Are you familiar with the plan that the Peterborough Development Corporation has produced, the legal contract for its own tenants who want to buy the houses in which they are based, which allows the sale to go ahead and the paperwork to be done subsequently, and which would obviate the need to take anyone on?

(Mr Duff.) I am not familiar with that but surely it would take somebody to deal with the interviews which are necessary for a short spell? We do not anticipate taking anyone on for longer than two or three months to just help deal with the surge of applications and to help people in considering whether they can buy or not.

272. Would we be right in assuming, from your comment, that there will be a great surge and despite the difficulties this

is going to cause you there might be a lot of your tenants who would be quite keen to buy under the scheme?

(Mr Duff.) I did not say that.

273. I am asking the question.

(Mr Duff.) I think they would be keen to find out more about it and we want to have someone available to talk to them about it to give them a service.

(Councillor Ward.) We get a lot of enquiries about can we lend them money in place of the building society which I do not think we can, and we are giving advice about how they get the money.

Mr Marshall

274. Before the publicity given to the Bill, what enquiries did you have about tenants wishing to buy?

(Mr Cannon.) Two or three a year, I would say.

275. Clearly from those figures one can only assume there was no demand.

(Mr Cannon.) I suppose one can assume that.

Chairman

276. Could I turn to the question of the two year option? You have given us some evidence about the problems which you anticipate as a consequence of the two year option, particularly with regard to improvement schemes. Could you expand on the points you have made about the problems likely to arise? First of all, could I ask you whether you anticipate that many people who would be actually entitled to purchase straight away are likely to seek to avail themselves of the two year option right and do you anticipate any difficulties in sorting out those who should be buying now if they are going to buy and those who are entitled to use the two year option?

(Mr Cannon.) I did not think it would be up to the council to decide.

277. It is a question of the assessment of the financial means. Do you anticipate any difficulty in assessing whether a tenant who has expressed an interest in purchasing but says he is not financially in a position to buy now and wishes to take advantage of the two year option, do you see any difficulty in assessing whether he is in a position to buy now or whether he is entitled to use the two year option provisions?

(Councillor Ward.) Do you mean whether he is a fit person or not?

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[Continued]

[Chairman Contd.]

278. That is one way of putting it.  
(Mr Duff.) I thought anyone had the option irrespective of their income. Am I wrong?

279. I think you are wrong on that. It is a matter of establishing that you have the right to buy but you are not in a financial position to proceed with the purchase.

(Mr Duff.) We thought anyone had the right to exercise this two year option.

Dr Mawhinney

280. I am informed that if you want to use the option system you have to be able to demonstrate that the capital plus your salary is insufficient to meet the price at the time and it is therefore up to the council to make enquiries.

(Mr Duff.) Thank you very much. It has been worth coming down!

Chairman

281. I think it has been worth it for us. In your reply to question A(xiii) you say, "The District now has very high house prices throughout its area. . . . The existing stock of Local Authority rented housing spread across the District is especially valuable for this sector of the community. Without sufficient rented housing stock in some areas, caused by sales of Council dwellings, the local economy and communities may suffer." Could I ask you to expand on that point, the consequences of the sales of council houses is likely to affect the health of the local economy?

(Mr Cannon.) Yes, we are back to the degeneration of the rural areas where, because fewer houses are now occupied on a regular basis or occupied by people who are contributing something to that area — eventually the shops, the Post Offices, even the pubs I suppose, tend to have less business and the village gradually closes down. The council's policy of always endeavouring to put young families into family houses has helped to regenerate these villages. When the eight authorities came together a little bit of Yorkshire came to Cumbria in Sedbergh. That authority nearly over built at Sedbergh, which is a tiny town where there is a very good public school and little else. If there had not been a lot of houses for people living there, I am sure a lot of people would have been seeking houses in Kendal but because they can have houses in their own area, they are prepared to put up with the inconvenience of travelling to work.

Mr Miscampbell

282. I have one general question. I think all of us who know the District in any way at all, however slight, can see your fear that council houses may become second homes and I can see that is something that will immediately come to one's mind but on further consideration I wonder whether you could help us. Obviously you think it is serious in any event, but is it realistic that people who are looking for second homes in the Lake District paying the kind of prices they will have to pay? They are still at the end of the day in a council house in a council estate—or are they looking for typical homes on the side of a hill, perhaps less structurally sound? Do you really think it is going to be a serious problem?

(Mr Cannon.) If you look at some of the properties that are now second homes you will be amazed. Terraced houses with no outlook and nothing are selling for £30,000 for second homes. If people will buy those, they will buy nice houses on council estates.

(Mr Duff.) In privately developed estates in Kendal where you would not think anyone would be interested in having a second home, there are indeed second homes. Perhaps in an estate of three or four hundred houses there may be a dozen second homes.

(Councillor Stewart.) As a matter of fact, within 100 yards of my home there are two second homes in Kendal.

(Councillor Ward.) Mr Cannon spoke about a cottage at £30,000. I do not know whether you know Cartmel; there are three terraced houses, two up, two down, and there is no footpath, no garden, no garage, no space—£30,000. This is what is happening. The youngsters have no chance whatever of living in that village?

Mr Dobson

283. What is the smallest number of houses you have in some of what I would call the Lake villages?

(Mr Cannon.) One in a couple of villages; two in some others. Four is the usual smallest number, but we have an odd one in one area and two in a couple of places, but they do go up to 20 or 30.

(Councillor Ward.) In Cartmel you may have 100 houses, but it is the smaller, old property making the money.

Chairman

284. You have made the position so far as houses in the National Parks and Areas of Outstanding Natural Beauty very clear. Quite apart from those areas, if it were not

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MR R CANNON and MR P DUFF

[Continued

[Chairman Contd.]

for the provisions of the Bill, would it be your intention to sell council houses?

(Councillor Stewart.) No, we have never agreed with selling council houses. We consider that housing is a social function and to balance the economy of our own district we find it essential to have rented property.

285. I think we have information about the composition of the Council which I understand is Conservative 18, Independent 8, Liberal 4, Labour 1 and no party 21. Can you tell us whether the Chairman of the council and the Chairman of the Housing Committee are of any party?

(Councillor Stewart.) We are a rather unique council. When we formed the South Lakeland District Council from eight authorities, I think there were possibly 15 or 16 Conservative councillors, about the same number of independents, some Liberals and four Labour councillors. The first Chairman of the post in finance was a Labour councillor; the vice-Chairman of

housing was a Labour councillor; the vice-Chairman of health a Labour councillor. I consider that augurs very well for a very good council balance and over the years we have found that we do not haggle over politics in our council and we deplore political things coming up. We cannot divorce it from the thing but we try to keep politics at a very low key. The very fact that we only had four Labour councillors on a council of 54 augurs very well for the situation of that council because they think these people are fit for the jobs.

Mr Marshall

286. Then there is uniformity of view in the council chamber for not selling council houses?

(Councillor Stewart.) Absolutely.

(Chairman.) We are very grateful to you for coming along. Thank you very much.

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[Continued

Members present:

Mr B Douglas-Mann in the Chair

Mr F Dobson  
Mr G Johnson-Smith  
Mr J Marshall  
Dr B Mawhinney

Mr N Miscampbell  
Mr J Sever  
Mr R Squire  
Mr D Winnick

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MEMORANDUM SUBMITTED BY ALLERDALE DISTRICT COUNCIL

Dear Sir

*The Sale of Council Houses*

I refer to your letter of the 20 March 1980\* about the written evidence from Allerdale. I have now consulted the Leader of the Majority Group of the Council and the Chairman of the Housing Committee who is also Secretary of the Majority Group and we are agreed that certain amendments should be made.

## (A) Financial Aspects

- (i) It is of course well known locally that it is not the policy of Allerdale to sell Council Houses but some Councillors report that quite large numbers of tenants have expressed their intention to exercise the right to buy as soon as the Bill becomes Law. It must also be noted that almost half the publically provided housing in Allerdale belongs to the North Eastern Housing Association so that half the applications would not come to Allerdale.  
Of the Council's 6,700 houses only 18 written applications to purchase have been received since the proposed "Right to Buy" in the Housing Bill became public knowledge. The distribution of the 18 applications is fairly even in that  $\frac{1}{2}$  are from the industrial west coast area,  $\frac{1}{4}$  from rural areas outside the National Park and  $\frac{1}{4}$  from within the Lake District National Park. It is estimated that the bulk of sales will be of the more desirable properties in the rural and national park areas.
- (ii) No information available at present.
- (iii) Clearly the reduced discount on the newest houses, the repair burden on older or less satisfactory housing, and the location and even layout of estates will all have a bearing.
- (iv) It is unlikely that there will be any savings, such as reduction of manpower as it is expected that sales will be of individual houses in various parts of the district not in block sales of say a group of houses on one estate which would mean possible savings of manpower.
- (v) As part (iv).
- (vi) The likely scale of loss of re-lets in the initial stages will probably be small as sales will be to tenants who are unlikely to move in any case. The greatest effect of this loss will be felt in later years when houses sold could have become available for re-letting.
- (vii) The present Waiting List numbers 2,000 i.e.  $\frac{1}{4}$  of the Council houses available, and re-lets are approximately 400 per annum. Any sales can only worsen this situation.
- (viii) None anticipated.
- (ix) It is expected that tenants will take advantage of the two years option particularly in situations such as is occurring at present in this area where a large proportion of the workers in the steel industry in Workington and the surrounding area have been on strike for 12 weeks and obviously will have difficulty in raising

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\* Printed on page 1 as letter of 18 February.

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[Continued]

finance at the present time for house purchase but may wish to keep open their option to buy if the financial situation improved.

- (x) (a) There will be substantial financial gain to those who purchase in the National Park and rural areas where the value of dwellings is increasing at least 25-30% per annum. In the National Park area itself the increase has been a minimum of 50% per annum for 1974-1979.
- (b) There is a possibility of increases in rent as there is unlikely to be any savings made on manpower or management costs as sales will be widely spread which will not allow for any reduction in manpower.
- (xi) None.
- (xii) Very little effect as tenant purchasers are unlikely to compete on the open market.
- (xiii) As the sales cannot be anticipated the effect on the local economy cannot be forecast.
- (xiv) No evidence available at present on mortgages and discounts, the pattern of sales is likely to be individual properties spread fairly evenly throughout the district.

#### (B) Social Aspects

- (i) The properties most likely to be sold are those which have been well maintained and improved or are in attractive areas.  
There will be some estates where there is a mixture of private and Council properties, but it is unlikely that tenants on difficult to let estates will wish to purchase and the social differences between estates are likely to be increased.
- (ii) There is a waiting list of 2,700 and it is estimated that at least 50% of these are in housing need. In addition, there has been a growing number of homeless families applying for accommodation recently.
- (iii) There are on average 400 relets but, due to the very small number of houses in certain areas, as few as 2. The frequency of houses becoming available varies considerably and can be as low as one every 10 years. The overall trend has not changed in recent years.
- (iv) The demand for Council houses is unlikely to reduce and might increase in certain areas if applicants consider that it is financially attractive to purchase a house. The Council will have increased difficulty in meeting the demand due to (a) the reduced number of re-lets becoming available and (b) the difficulty in finding further acceptable sites for development, particularly in rural areas.  
It would appear that there will be exemption from sale from properties with special facilities for the elderly or disabled.
- (v) The existing transfer list numbers 1,200 with the sale of houses there will be a reduction in the numbers available for tenants to transfer into.
- (vi) None sold since 1974.
- (vii) The unit cost of management and maintenance of Council houses will increase since the numbers in any one area are likely to be reduced and therefore travelling costs/unit will increase; this is an important factor in a scattered rural area. In addition, as the houses with higher maintenance costs are likely to be unsold, the average cost/unit is likely to increase. The alternative to costs increasing is for services to decrease.
- (viii) None sold since 1974.
- (ix) None.
- (x) The possibility of council houses being taken out of the 'local' housing market and used as second homes is a matter of serious concern. It is socially undesirable to have a high proportion of second homes in any one community but in addition in rural areas where there are limited numbers of potential housing sites, it will be difficult to meet local housing need if homes are sold.
- (xi) to (xvii) — No comment as no sales have taken place.

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[Continued

## (C) Background Material

- (i) The present dwelling stock in the area is 36,392, 12,000 of which is in public ownership (including NEHA).
- (ii) No detailed information.
- (iii) The policy is not to sell.

Chief Executive

31 March 1980

## ANNEX

## ALLERDALE DISTRICT COUNCIL

## Additional evidence requested by Environment Committee

1. The London Borough of Southwark\* stated that their HIP allocation for 1980/81 was only two thirds of their requirements. It would only enable them to continue existing building schemes plus repairs, modernisation and improvements to existing stock.
2. The Allerdale HIP allocation for 1980/81 is 64.6 per cent of our requirements (i.e. less than two thirds). It is difficult to make a statement comparable to that made by Southwark without knowing the detail behind their statement.
3. An estimate of Allerdale's committed expenditure for 1980/81, the HIP 'bid' and the HIP allocation are as follows:—

	£m
HIP Bid	6.5230
HIP Allocation	4.2139
Committed	3.730
	<hr/>
Balance available	0.4839
add Carry forward	
from 1979/1980	0.453
	<hr/>
	0.9369

4. Allerdale's allocation is sufficient to cover estimated contractual obligations; land acquisitions already approved by the Council; existing commitments to cover our Direct Labour force in circumstances where an outside contractor would have a committed contract; and to leave a balance of £0.4839.
5. This balance with a carry forward of £0.453m i.e. £900,000 has had to be shared between the Council's limited aspirations for continuing progress both in private and public sector, policies for which £2.3m was requested.
6. The effect of The Housing Bill, Tenants Right to Buy, repair grants and Tenants Charter are unknown quantities for which no financial provision was made in Allerdale's bid.
7. The necessity to omit urgent capitalised repairs and improvement schemes will have an immediate Revenue implication in interim repairs and a long term capital effect because of further deterioration.
8. The limited new housing programme incorporated in the bid made only a modest contribution to the rural problem. The Council saw their special role particularly in the Lake district National Park in providing reasonable rented accommodation for the lower paid, the elderly and the disabled in an area where private rented accommodation is virtually unobtainable and house prices even of modest unimproved property are completely out of the reach of any ordinary local people.

April 1980.

\* Evidence page 20.



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COUNCILLOR J LISTER, Mr A C CRANE  
and Mr P WILSON

[Continued]

## Examination of witnesses

## ALLERDALE DISTRICT COUNCIL

COUNCILLOR J LISTER, Chairman, Housing Committee, Mr A C CRANE, Chief Executive and Mr P WILSON, Housing Manager, called in and examined.

Chairman

287. I hope that you found the session of evidence that you have heard interesting and that it will give you some indication of the way the Committee goes about its job. Our function is to try to arrive, if possible, at a unanimous report on the financial and social implications of the sale of council houses. We are grateful to you for travelling down to give us evidence and for the trouble you have taken in the preparation of your written evidence. We can perhaps put questions to you arising from the written evidence and the supplementary evidence which has just been submitted to our Committee. What is the distribution of local authority housing in your area? Is the bulk of it concentrated in Workington and other towns or is it scattered throughout the whole area? Is the property that is outside the town mainly in substantial estates or is it scattered throughout a series of villages?

(Mr Wilson.) Unlike South Lakeland, we have sole nominees' rights on north-eastern housing association dwellings. There are 6,500 council houses within our area and approximately 5,500 north-east housing association dwellings, so we have allocation rights on 12,000 dwellings in total. We obviously have repair and management on 6,500, so for the purpose of allocation and lettings this afternoon, when we talk about allocating houses, we mean either council or north-eastern houses. In practice, within the office, we do not distinguish at all.

288. So your 6,700 houses include the north-eastern housing association?

(Mr Wilson.) No, there are 5,500 housing association houses on top.

Mr Marshall

289. Does this explain why your relets of 400 appear comparatively high?

(Mr Wilson.) Yes. I wonder if I can distribute something showing the distribution of houses in 1977? (Documents circulated)\*.

(Mr Crane.) On this question of the north-eastern housing association, I believe we are in a unique situation as a local authority, certainly in England, in having such a high proportion of houses which, for all practical purposes, are provided by the north-eastern housing association. They are

managed but not let by the north-eastern housing association; we let them.

(Mr Wilson.) Basically the open circles are the Allerdale houses and the number inside.

Chairman

290. And the dots with the number beside them?

(Mr Wilson.) Basically the majority of Allerdale houses are in Workington, just over 4,000, and then six major towns, Maryport, Cockermouth, Keswick, Wigton, Silloth and Aspatria where obviously we have concentrated on what one would call estates, but we have 40 other villages, hamlets even, very rural areas, where there is not a definite village, where there are small estates or, in some cases, as little as one house, so we are very scattered within the rural area together with the major centres. I could send you a copy of this at a later stage if that would help\*.

291. Thank you. Could you tell us what the demand for council housing consists of — ie, the people on the waiting list? Can you give a thumb nail sketch of the characteristics of the tenants that you have?

(Mr Wilson.) At the moment we have a waiting list of 2,964. We operate an open list in that we accept applications from anywhere but we do distinguish in our records between out of district applicants and applicants within our own area. There are 361 applicants from outside Allerdale district at the moment. We have done an analysis of this out of district list. We find that there are a lot of people on this list who used to live in Allerdale, particularly in the former mining industry, who moved away when the pits closed in our area and they moved into areas such as Nottingham and they now want to come back. We have people who move into our areas; we are an energetic area and they want to bring their relatives in and we have people who seek employment in our area. Some people think we do not have an employment problem, but we do. Being in a holiday area, a lot of people would like to come and live — in Keswick particularly. In our own area — 2,603 applicants — we operate a points system and we allocate houses according to need. Our worst and biggest

\*Not printed.

\* Further additional evidence provided on page 356.

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[Continued

[Chairman Contd.]

problem is those without a house, living in with parents, living in houses in multiple — occupation, living in caravans and in winter living in holiday lets. Out of the 2,600 there are 945 registered on our list as without accommodation, as lodgers etc. At the moment we have not got a major slum clearance exercise going on. That is because this year we have finished our major slum clearance exercise and we have rehoused 150 people in former clearance areas, but we are down to 11 at the moment. We have 94 Forces applicants and we are anticipating that about 1,200 a year will come in for accommodation. We have a sympathetic policy toward Forces applicants. We estimate from the list that approximately 500 families are in need. It is difficult to put a quantity on each individual category in those 500 but if I give you the categories that we consider early, they are applications from elderly people no longer able to maintain their homes either physically or indeed financial and this is becoming a real problem; single persons or parents in many cases where the parents can no longer provide accommodation; homeless families are a continuing problem, because living in causes family disputes and a breakdown in living arrangements, and we are constantly receiving applications of this nature. We are receiving a lot of applications now due to mortgage problems, high interest rates, high cost of maintenance, people taking out mortgages they cannot manage, partly because the wife stops working, but we are receiving a dramatic increase in applications. The last one, which I am sure South Lakeland has mentioned, is the applications as a result of divorce. We find we can categorise quite clearly applications from divorce problems. The house has to be sold; the wife wants accommodation with the kids.

292. Have you observed any increase in the rate of applications since the Housing Bill was published, which you would relate to the Bill rather than to other social changes?

(Mr Wilson.) Not to the Bill. We have experienced an increase of about 20 per cent in our rate of applications being received in the last 12 months and of that we can say that at least 100 are people wanting to get out of the owner occupier sector into the private sector because of the cost. It is almost the reverse of what you are asking me.

Mr Squire

293. Into the public sector, you mean?  
(Mr Wilson.) Sorry, yes. We have a lot of problems at the moment with tied accommodation. We are not quite sure whether this is part of the housing department syndrome.

Chairman

294. Agriculturally tied accommodation?

(Mr Wilson.) Mostly the licensed trade. I do not know whether this is a sign of economic times but in some of our areas one or two applicants can mean a year's supply of re-lets. We are finding virtually all our re-lets are going to homeless families in some areas and in the licensed trade we have 24 this year which five years ago would never have happened, so this is a definite problem.

Mr Marshall

295. Are these people actually leaving pubs or do you guess they are people who are still keeping the licence of the pub and are putting their names on the waiting list in anticipation of having the right to buy?

(Councillor Lister.) No, they are coming out of the trade. Some are being vacated by the brewery because of the non-financial return on certain pubs and in some cases the pubs are going out of the trade as well, but it is not because of an anticipation to buy or an insurance against some future possibility of living in their own house. It is because of the state of the trade itself and the brewery policy.

296. Why would they not be covered under the homelessness category?

(Mr Wilson.) I think it is generally accepted that most people realise if they are evicted they will be covered under the Homeless Persons Act but in both agriculture — and we think forestry as well — and in the licensed trade, particularly, you have county council type accommodation. We are finding now there is a genuine desire for house security rather than this tied accommodation. Perhaps people are becoming more aware of the hazards of tied accommodation. I am not here to plead a case on tied accommodation but we are finding people would rather live in a council house than in tied accommodation. Partly it stems from the fact that if you lived in Cocker-mouth you could not move into Cocker-mouth rural. If you lived in Keswick you

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[Continued

[Mr Marshall Contd.]

could not move into what was Cockermonth rural. People are finding now that it is possible to get a transfer to another district so perhaps we are helping mobility.

Mr Sever

297. Can I ask if it is felt that there is a danger that people are using this as a quick way to the top of your housing list?

(Mr Wilson.) No real evidence. I think we are too rigorous. We are very watchful of this and I do not think there is any evidence to show that, no.

Chairman

298. Can you tell us whether you have a scheme for housing incoming key workers in council property?

(Mr Wilson.) Yes we do. We have allocated 14 key worker houses to three firms in Allerdale and that was on 16 April. What we find is that the key workers who come into the area nearly always find their own accommodation and buy accommodation, this is within about a year, so we feel we are providing a very useful service to help industry in that area with only a temporary loan on the housing accommodation.

299. Is this and the problem of housing an issue which local employers complain about in relation to the difficulty of getting workers?

(Mr Wilson.) Certainly we vet the cases pretty carefully and we like to be satisfied that they have endeavoured to recruit locally and that they cannot recruit locally and that they need the particular employee in order to expand the existing business or maintain the existing business and if they satisfy us on that our Committee will normally allocate a house for their purpose.

300. You were, I think, about to tell us about the impact of the Land Agricultural Act? Could you deal with that?

(Mr Wilson.) We did fear this Act to some degree when it came in. We have not received many applications under the Act itself. We do not tend to use the Committee system when we do get an application. We judge it ourselves. It seems to me the Act is fairly clear but we find difficulties with farm workers who move in outside the scope of the Act and we feel sometimes there are moves to obtain accommodation a little in advance of other people. Perhaps that is a weakness of the Act.

Mr Squire

301. In connection with what we are

hearing now, there have been signs of people wanting to go from private to public housing. The last sentence of the additional evidence contains the statement, "... and house prices even of modest unimproved property are completely out of the reach of any ordinary local people." Can I ask you whether, on reflection, that is still the case and do you still stand by a statement, which, by inference, tends to infer that people buying are abnormal or that they are at a very low rate?

(Mr Wilson.) In many areas there are very few houses for sale. Those that are, particularly in the National Park, have a tremendous potential. What one could call a modernised, down-market, low-cost terraced house, a good starter, homes for young couples to get married and live in, these are the places in the National Park that everybody wants. You have commercial developers seeking to buy these properties. I am hesitating for words, but you have rather well off people who can afford to buy these; you have the ordinary housing arrangement of young couples wanting housing and you have council house applicants in desperate need. You have also got a tremendous number of people wanting to sell in Manchester and Birmingham and move into Keswick to retire and they are probably selling at the end of their business life. They are probably selling a marketable property in a nice area; they are selling a business; they feel they can afford an inflated price so the competition in those houses is tremendous. Unmodernised houses in Keswick can go anywhere between £16 and £20,000 and then there is the cost of modernisation. Modernised properties start at £25,000, two-bedroomed, modernised properties which, ten years ago, would have fetched a thousand if you had been lucky. If you get on to three-bedroomed detached bungalows you are talking about £45-50,000. If you are comparing these prices with London it is probably very similar, or even less, but we are talking about Keswick, a rural area around Keswick with villages where the average wage is low and there is a very little employment. There is the service industry in the summer; there is a pencil mill in Keswick and there is agriculture, forestry and the tourist industry, a chap painting boats in winter and that sort of thing. We stick to our statement that they are out of the question for the young, local applicants but we are seeking to help — and also the elderly or possibly the fixed incomes.

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[Continued]

[Mr Squire Contd.]

302. You said at the outset that there is some restriction on the amount of property anyway within the regions.

(Mr Wilson.) Very little. It is sad to say a lot does not even come on to the market.

(Councillor Lister.) The inflated price feature is not only confined to the National Park area; it is now spilling over into what we call the area outside the National Park, to part of Allerdale — and it is still a very attractive part — that is coastal plain and we are finding now that prices are rapidly rising in those areas where, in the Keswick National Park area, the rapidity of rise was at an earlier stage; it tended to slow up; there was a burst and we are now finding this surge of prices in the outside National Park areas, possibly because of the limited opportunity for purchasing in the National Park itself.

Mr Marshall

303. Did you specify how many properties were actually in the National Park area, the total number of properties you have available for letting?

(Mr Wilson.) No, I do not think we specified it in our evidence. We tend to separate it into Keswick and non-Keswick but in Keswick itself we have 592 dwellings. Circling Keswick we have the parish of Braithwaite, where there are 33 dwellings; four in Allerdale and 29 north-eastern; 18 in Borrowdale and 12 north-eastern.

304. About 657 to 700?

(Mr Wilson.) About 79 outside Keswick and 592 within Keswick — 650 altogether.

(Mr Crane.) That is north-eastern and Allerdale.

Mr Winnick

305. The privately rented sector, what role does it play?

(Mr Wilson.) In the National Park nil, except in winter when it accommodates quite a lot of people on short-term lets and causes me tremendous problems at the end of March by creating homelessness. In the rest of the area there is still a little rented accommodation. Silloth used to have quite a bit of rented accommodation in 1974. Last year in Silloth we allocated 27 houses, of which 26 were brand new, for first-time letting with one relet in 12 months. I think there are 96 on the Silloth waiting list.

306. Do you have it in mind to replace the council houses which are sold by new building?

(Mr Wilson.) We have a very detailed five-year rolling programme at the moment. We review this every year and we would take into account sales in our annual review. If an area became a problem, we would look seriously at replacement. The problem in the National Park — and particularly Keswick — is where do you get the land to replace. I have searched for six years for a site in Keswick. I have found a site which will take 24 flats. I cannot see another site in Keswick and neither can the Lake District Planning Board. We have 650 dwellings. Hypothetically, of that 650, 630 at the moment, the way the Bill is being considered, are available for sale. We could be left with 20 dwellings in our portion of the National Park, 18 of which would be support independency flatlets; two would be specially built disabled persons' bungalows. The population in the area is about 4,000 plus. There is no way I could hope to cope with homelessness. They will not all, of course, be sold.

Chairman

307. What proportion do you expect will be sold?

(Mr Wilson.) That is almost impossible to estimate.

308. Do you have any information?

(Mr Wilson.) Keswick did operate a policy of selling houses. They sold about 15 over the period the policy operated but they sold at market value. We are now in a different ball game with discounts. We are concerned about places like Borrowdale, Braithwaite, where if council house sales went ahead, ultimately these will become second homes and there is no reason in the Bill why this should not happen long term. We are concerned about the effect on the community.

(Councillor Lister.) On the actual new building, particularly in the National Park, the question has now arisen within the council as to whether it will be advisable for us to in any case build new houses if, at the end of a certain short period, we are going to be required to sell those. We would find it almost impossible to find sites to replace what we had sold. It seems to be an endless process of trying to provide new building but at the end of the day selling it off and we are going to be finishing with nothing in the National Park. That is increasingly the view of the council and at the last meeting of the Housing Committee it was very debatable whether or not we went ahead

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with the present scheme for building three new houses for Bassenthwaite, which is a highly desirable area, just outside Keswick, but the question did arise. It was by a very narrow majority that the decision was taken to go ahead with building. At the end of the day we may be required to sell these.

Mr Johnson-Smith

309. What is the potential future build of the council?

(Mr Wilson.) In terms of numbers?

310. Yes.

(Mr Wilson.) Perhaps I can leave you the 1978 programme. We are in year one, 1979, and the programme is for five years, but over the five-year period we had a massive building working programme because of the slum clearance. Over the years we have plans to build in most parts of the district, mostly in small numbers. We felt the rural areas should be concentrated on. The total new build is about 1,000 dwellings of which we are now into year one so we are down to about 800.

311. What proportion of the housing stock in your district is privately owned and occupied?

(Mr Wilson.) Two-thirds.

(Councillor Lister.) Privately owned, the total out of 36,000 in round numbers, 24,000 are in the private sector and 12,000 are in the public sector.

(Mr Wilson.) That includes the private rented sector. I do not think we have a figure for the split in that.

312. You have told us of the difficulties you have experienced in obtaining land. This is a question just of that part of the District which is National Park land?

(Mr Wilson.) Yes.

313. But you experience, presumably, not the same difficulties in the areas which are not in the Park land?

(Mr Wilson.) In areas on the outskirts of the National Park — we have some sites in Cockermouth — but it is not infinite.

314. Do you think there would be a possibility of private development taking place on a reasonably substantial scale in those areas away from the National Park at prices which would come more within the pockets of the skilled wage area or those who are indigenous to the area?

(Mr Wilson.) Yes. This is one of the

strange things about our area, that private development has not taken place as much as it has in other parts of the country, but private development is taking place and houses are selling outside the National Park, but the prices are what I would call reasonable: £15,000 for a two-bedroomed semi-detached house. We are also, as a council, encouraging to some degree this type of activity. At a meeting before last we agreed to sell some council owned land to a self-build housing association. We are due to produce a report and I am sure it will be sympathetic to the possibility of selling off land for starter homes, and we can, as we hope, achieve a standard of development that is satisfactory but also at a cost that can be met by the pockets of the people wanting to buy that property. I cannot see this happening in the National Park because of land problems and design costs.

315. And there are probably very strong feelings by people outside the District who think it should not happen anyway?

(Mr Wilson.) That is an argument for another day.

316. Assuming the housing demand and how far you can satisfy it by the already mentioned arrangements, it would be interesting to know what incentive there would be for those who are tenants to purchase their own homes in the council area, or purchase outside the council stock by going to the private dwellings. By the relating costs they would have to bear to the costs as tenants, what is the average?

(Mr Crane.) The figures on this indicate that the cost to somebody living in a council house which would be acquired with a one-third discount, would be approximately twice as much as their outgoings as a tenant.

317. Is that taking tax relief into account?

(Mr Crane.) Yes, and rent, rates and repairs and, of course, the current high rate of interest at 17 per cent.

318. What is the average rent paid by a tenant?

(Mr Wilson.) The average rent would probably be in the region of £8.

319. Do you operate a rent rebate scheme?

(Mr Wilson.) Yes.

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[Mr Johnson-Smith Contd.]

320. At what point does that come into effect? What level of income?

(Mr Wilson.) It was about £34 but it has changed.

321. And the rates on a two or three-bedroomed council dwelling?

(Mr Wilson.) The average three-bedroomed house, the rates are in the region of £3.80 to £4.00.

(Councillor Lister.) And another £1.50 for water authority charges.

(Mr Wilson.) That is inclusive.

322. On a private dwelling it would be less?

(Mr Wilson.) It depends on the area.

323. Do you see much scope for encouraging private developers outside the National Park planned area?

(Mr Wilson.) In parallel with the council's efforts, yes.

Mr Winnick

324. You referred to the difficulties of people being on the waiting list arising from mortgage problems. Presumably people who have a mortgage find it difficult to keep up with repayments. Do you think it is possible there will be a number of people who agree to buy and then find, having agreed to buy, that they cannot keep up with the increasing costs?

(Mr Wilson.) Yes.

325. Do you have many difficulties over rent arrears?

(Mr Wilson.) No, we are very successful at collecting rent arrears.

326. So there would have been arrears to begin with?

(Mr Wilson.) Yes, the rent arrears at this moment are probably £15,000 at the end of any one week, spread over 6,000 dwellings. If you compare that with any other council you will find that is a very low figure. We are at the end of an industrial dispute of some 14 weeks with Workington Steelworks and we reckon 5,000, without any doubt, is due to the steel strike, so we normally run at 11,000, which is less than £2 per capita house. Of course, travelling costs are added on to maintenance and repair, but people will buy and get themselves into problems.

Chairman

327. The chief executive said the inter-

est rate is 17 per cent; is that the rate which the council charges on its own mortgages?

(Councillor Lister.) I cannot remember where we got the 17 per cent from.

(Mr Wilson.) I think we should have said 15 per cent and the council rate is 15½.

328. Can I turn to the question of the protection and safeguards in Section 18 of the Bill for housing and accommodation sold in National Parks and Areas of Outstanding Natural Beauty and ask you to what extent you think the protections for that area are adequate?

(Mr Crane.) We are concerned with the long-term future and our view is that however long pre-emption rights you give to a local authority or other authority, the constraints you put on it, the time will come when that house becomes free and available for its owner to sell on the open market and at that stage there is a very serious risk that it will become a holiday home and therefore be lost for the benefit of local people. It goes even wider than that because we have had a fairly long-standing dialogue with the Lake District Planning Board, in particular, about how one resolves this fearful problem of making housing available in the Lake District for people to live in and the conclusion we came to, in agreement with the Lake District Planning Board, was that the best solution was for the local authority to provide houses which would remain in the hands of the local authority and would be a continuing contribution to the housing in the area. The planning board have reached a stage where they are prepared to accept an assessment of need from us and then genuinely, as a joint effort, endeavour to find a site to meet that need, even in some of the best and choicest areas of the Lake District. Loweswater I think took six years and I think that scheme has had to be deferred because of our limited HIP allocation. We would say that if there are going to be any sales at all — and we feel in the Lake District for the most part one ought not to do that for social reasons — if there are to be sales there ought to be an indefinite pre-emption. That is the only way we can see that you do not finish up in the long term with an additional contribution for a rural degeneration problem.

Mr Dobson

329. Are there any particular types of housing that you are concerned about having to sell, like the non-adapted accommodation for elderly persons?

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[Continued]

[Mr Dobson Contd.]

(Councillor Lister.) Yes, one of our concerns is that we have an increasing need to provide for the older sector of the population. This is the national trend and we are fearful of the fact that we are required to sell off the bungalows that we have built specifically to meet this need. One of our views is that although there is an exclusion for accommodation specifically built to meet certain disability needs, we also see that the bungalows we have provided for aged persons are also meeting their disabilities, which may not be of such a nature as to require special adaptation and specially built accommodation, but the fact that we provide them with a bungalow instead of a family house is meeting a need that there is in regard to physical disability. We are having a growing number of old people in our own houses and in the private sector applying for this bungalow accommodation, simply because they cannot cope with the upstairs part of the house and we are fearful of the fact that we are going to be required to sell off the bungalows that we have locked upon as a special provision to meet a particular need.

330. Presumably, in the nature of things, old people are likely to die quicker than younger ones, and therefore those places are likely to come on to the market all the quicker?

(Councillor Lister.) The point is that older people are tending to live longer than they did before.

(Mr Wilson.) It seems to me, on this question of the elderly, to quote Keswick, we have 120 pensioners on our waiting list. That is for the Part III accommodation which is a county council residential home. We have a warden assisted unit of 18 flats. Whenever we get a vacancy in either our unit, a bungalow, a ground floor flat or the residential unit, we are considering upwards of 200 pensioners and quite frankly many of them are geriatric or even terminal cases but because of the problems of accommodation, both in hospital, Part III, Part II, our own units, people are having to remain either in three-bedroomed houses, council or private, with all the problems of old age: stairs, looking after the house, cost, you name it — purely because of the lack of accommodation. If, through this Bill, we lose the OAP accommodation in Keswick, I cannot see the elderly in Keswick — and I am using Keswick as an example — are going to get anywhere at all. Eight times a year we can help by pro-

viding a ground floor flat or bungalow accommodation. It is only eight times out of 150. I have to make decisions: do I take Mrs Smith, Mrs Jones or Mrs So and So? I have been arguing for three weeks between a case in hospital at the moment — a case in our own Supported Independency Unit — and a case which goes into one of our own bungalows. Certainly if we lose that stock and it is occupied by young families there will be little thanks to Allerdale and the problem then escalates. There is no possibility of transfers and making available three-bedroomed houses for the young people in Keswick. It is a tremendous problem and this is why we feel particularly strongly about losing particularly bungalow stock in any area. I do not say that my council would have a blanket "we do not sell for ever" rule, but if the circumstances were right on existing stock, there may well be a council decision to sell it but not where the pressures are such that you have 357 applicants for 17 vacancies a year in an area.

331. Do you also envisage problems for sub-letting — the purchase of the council house and then, in one way and another, the purchasers not living in it?

(Mr Wilson.) Yes, if you buy your house in the National Park and you move away and there is accommodation with the job or it is a cheap area where you move to, it will be more economical to buy another house or rent another house, perhaps a council house with the job, as in my case, and keep your house in the National Park. When the second change comes, if you can get away, there is no incentive to resell. There is no compulsion to sell back at that stage and you are on a pretty good number letting that house at £100 during the season and £45 a week during the winter months. That is what will happen and I would include the fringe areas of the National Park.

Chairman

332. Do you anticipate there are likely to be people who would not be able to buy on the basis of their own income, being financed by either relatives or others to enable them to buy?

(Mr Crane.) We have invented all sorts of the most wonderful schemes but the simplest one is a son or grandson putting up the money for parents or grandparents to buy their house with an understanding that it should be left to them in the parents' will

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[Continued

[Chairman Contd.]

and, as I understand the Section 18 provision, there is no question of a resale option arising when it passes on death and that seems to me quite a serious loophole from our point of view.

333. So far as the provisions of Section 18 are concerned, I assume you will be setting a period for the pre-emption provisions. Can you tell us if you are likely to have any problems on raising the money with regard to the rights to pre-emptions?

(Mr Crane.) I am sure the council will set the maximum period the law allows and we see problems particularly in the prospective future of constraints on housing expenditure because of the market value which looks as if it is going to rise way ahead of the construction price. We shall have to sell at about a one-third discount or even a 50 per cent discount and we then have to buy it back years later at the same real price, at full value, but on the evidence we have, the prices in the Lake District Planning Board area are accelerating more rapidly than average house prices and in particular more rapidly than new build houses.

334. Can I turn to the question of the loss of relets? It appears that you are getting quite a high rate of relets?

(Mr Wilson.) The 400 is over 12,000 houses so it is a three per cent rate. There was a question of this being a high rate but it is not a high rate over 12,000 dwellings. We did count it up as a result of your inquiry and in the last 12 months ending at 31 March we had 359 relets.

335. Have you perceived a reduction of the rate at which tenants move out of council homes, a falling away of people moving out? You told us earlier in your evidence that you had had 32. Was the figure of 32 that you have given us an average over several years or was it just one year when you had as many as 32 moving out of the council housing sector?

(Mr Wilson.) I do not remember the 32.

336. I am confusing the evidence with South Lakeland, I think.

(Mr Wilson.) I put the figure of 400 per annum based on the figure from 1974 to the end of March 1979. This was based on a simple arithmetical sum of 2,000 relets in five years equals 400 a year. This year we counted it up and it has dropped to 359. It is still an artificial figure because of a difficulty to let estate that we have and I think

the true figure is nearer 320. We have experienced a slow-down but I cannot say it is because of the Bill. It is basically because of the high mortgage rates and the lack of job opportunity nationally. Less people are moving out because there are not the jobs.

Mr Winnick

337. Do you anticipate the situation where tenants will want to move to another area in order that they will have a better property to buy?

(Mr Wilson.) Yes, it will happen. Tenants are asking to move. We have 1,200 families on our transfer list and many tenants are asking to be transferred to an area where they would like to live, rather than just what we can give. We have a "swap shop" system where they help themselves and we run the scheme. We will swap up to five each year between the six authorities in Cumbria. We do this to encourage mobility in labour so as people can move to be near their families.

Mr Johnson-Smith

338. I wonder, have we had the views of the council on the provision in the Bill whereby the HRA will benefit to the extent of 50 per cent of the historical cost profit on a sale?

(Mr Wilson.) HRA or HIP?

(Chairman.) It should be HIP I think.

Mr Johnson-Smith

339. Sorry. Have you received any benefit from being able to use 50 per cent of the capital receipts from sales to improve your HIP allocation?

(Mr Crane.) Perhaps the Government may be more generous than this when we put up the HIP allocation, but we suppose the Government will be interested to know what our share of income from sales is so that it will be a balancing act although in reality our allocation will be cut back by the extent of the 50 per cent from sales. We would be delighted with any sort of assurances we could have that any revenue, any capital assets, from sales could be used in addition to our proper calculated HIP allocation, and if we could have that assurance we should say, "This is great" and maybe we could appreciate the provision.

Chairman

340. The Committee is not able to do that. We would be glad if we could obtain it from the Secretary of State at a later date.



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COUNCILLOR J LISTER, MR A C CRANE  
and Mr P WILSON

[Continued

[Chairman Contd.]

How do you see your options in 1980/81 and in subsequent years for new building? What prospects do you see on new building in those future years?

(Mr Wilson.) Of course 1980/81 has been very difficult and I think most authorities would say that since we received the allocation at such a late time we would only concentrate on schemes that are already on site, but obviously you take, after your commitment, your allocation first and then you have to look at your schemes which are at the ready for tender stage, so you have no chance of spending the money on anything this year. As it happens we anticipated the problem and we have built 68 units at Cocker mouth and 47 at Wigton which we considered vitally important. This next year and the years after I see the problem, particularly if the blue paper is correct, of savage cutbacks. Perhaps I should not say "savage" but it is to me as a Housing Manager a traumatic cutback in expenditure and housing and if this is concentrated in the new build field we will not build in many areas in Allerdale in which we would like to build. Remember that we are 40 miles square. We cannot say to someone, "I am sorry; we cannot give you a house in Keswick, Mrs Smith, but we have a nice flat at Maryport". That is not the world we live in. Keswick is Keswick, Maryport is Maryport and all stations north are individual. We have had problems of helping seven major urban areas. We do use Keswick for areas round Keswick; we have no choice. If we limit the amount of new building I see certainly a lot of heartache for my staff with the residents of the district. We are going to be faced with whether we preserve the fabric of the older housing or concentrate our resources on new building, or concentrate our resources on giving mortgages for young couples to buy older housing. Do we give it to grants, do we carry on a subbing programme or do we attempt general improvement areas?

341. Within that range to what extent do you expect the scale of activity to compare with the scale that has been carried on in the past?

(Mr Wilson.) I think it will be, in new build terms on the projected figures in the blue paper — I think our new house building will be halved, even cut by two-thirds.

Mr Johnson-Smith

342. Have I to assume therefore that you do not see any possibility of making

better use of your housing stock? For example, earlier you talked about under occupation, people being over-housed, put it that way. You think because of the geographical spread of your towns that you are unable to make any changes, which indicated that your housing stock is better used and occupied because there is a degree of under-occupation in many dwellings we have in this country.

(Mr Wilson.) Yes. We reckon we have between 35 and 45 per cent under occupation over the whole district. It varies from area to area. We have a tremendous amount of transfers to smaller accommodation. The problem is that you have to have an alternative to offer.

Chairman

343. To what extent do you think selling will assist or handicap that policy of transfer?

(Mr Wilson.) If we lose the stock of smaller units — I am back to my bungalows in Keswick — I have no alternatives to offer in a nutshell.

344. Can I summarise? I think it is probably apparent from what you have already said, but in the absence of a specific comment, if there had not been the Housing Bill would it have been the intention of Allerdale to sell council houses?

(Mr Lister.) Since the inception of Allerdale it has been accepted and has been the almost unanimous opinion of members that we should not sell at such time when we have not been able to meet the need for housing. While we have a considerable waiting list, while we have a considerable need for aged persons' dwellings, we would not be anxious or willing to sell. It is not that we take a dogmatic view and say we reject the possibility of selling entirely, but at this stage we do not see it as a practical proposition.

Mr Winnick

345. I have a note — we all have — of the political make-up of the council. You said it was almost unanimous. Would it be right to say that hardly any of the council is in favour of selling?

(Mr Lister.) Yes. I think if I said this is not a matter of a political opinion, that the almost unanimity of the council has not been decided by political differences, that would be correct. It is rather by individual opinions I suppose. It is not a political matter with my council. It is a matter of

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COUNCILLOR J LISTER, MR A C CRANE  
and Mr P WILSON

[Continued]

[Mr Winnick Contd.]

need within our area. We are concerned about people and their homes and the need for homes and all sides are agreed that at this time it is not for us to be selling off what is the housing that is available to the people who need it. That is for reasonably priced accommodation.

Mr Johnson-Smith

346. On this very point, when you say at this time it is the view of the council that they could not possibly consider selling council houses, would it be too much to read into what you say that a great many members of the council never can foresee a time when it will be appropriate to sell council houses for the simple reason, they might argue, that as it is rented accommodation is very expensive and as there is virtually very little rented accommodation outside the Park area and the rents charged by the council are pretty modest, obviously rented accommodation in the council sector will attract a permanent waiting list for ever?

(Mr Wilson.) I think that is perhaps a very valid point for areas outside the National Park, I am afraid, and this is unanimous in the council offices, the planning board, and I suspect every council in authority, that there is no sense, if I can put it as bluntly as this, in selling in the National Park, particularly outside any of the urban areas. The houses are irreplaceable. The problems are still there and we will destroy what is the future heritage and that cannot be replaced. We cannot build in certain parts of the National Park where we have

houses now, even if there is a need. In one or two areas we can find a bit of land but in some parts there is not even the land to replace a house and this is the major fear, and perhaps if we do not do anything else at this Committee we must impress upon you our view that if you destroy not only the housing in the National Park but at the end of it if you take away the houses of the people who make the National Park tick, and this is what it is all about, you will destroy the community. We have not got time today but believe me, Loweswater is now a dying community as a result of a 20-year wrangle to build half a dozen council houses. If they had council houses and we rented there would still be buses and children and nurses, whereas in other parts of the National Park where we have 18, 20 houses, we have still got the bus service, village school and the sub post office. We are not just talking about housing; we are talking about preserving a community. I am not against the sale of houses if this is Government policy, but make it by direction in the National Park and let the council prove the case if they think they should not be sold, but a blanket resolution to me is wrong in the National Park. It could be by direction of the Minister. That is fair enough, but let the council in each case put the case forward and show the Minister the facts, not just a blanket resolution. I am sorry; I get a bit carried away.

(Chairman.) We understand how you feel. Thank you very much for coming and for the very helpful way you have answered our questions.

TUESDAY 29 APRIL 1980

Members present:

Mr B Douglas-Mann in the Chair

Mr F Dobson  
Mr G Johnson-Smith  
Mr J Marshall  
Mr N Miscampbell

Mr N Scott  
Mr J Sever  
Mr D Winnick

LEEDS CITY COUNCIL  
RESPONSE TO THE SELECT COMMITTEE HOUSE OF COMMONS

Evidence in Reply to Survey: 'Sale of Council Houses'<sup>(i)</sup>

## A. Financial Aspects

- (i) We have no firm specific evidence at this stage to identify the likely extent of sales. However enquiries were stimulated and an increase in demand coincided with the amendment to the General Consent in May 1979, when discounts were permitted to increase. (It should be mentioned that this Authority in the event did not adopt the discretion to increase discounts to the extent provided for the amendment.)

1978/79 Weeks 1 - 34 inclusive TOTALS - 1,327	1979/80 Weeks 1 - 34 inclusive TOTALS - 2,866
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- (ii) In answer to this question it is necessary in order to establish in specific terms the gains or losses, to consider and collate considerable evidence as to house types, valuations and even types of tenants. It is also relevant to anticipate the effects of the proposed legislation in Housing Bill 1980 and Local Government Bill, with particular reference to the changes in public expenditure arrangements and proposed amendments in housing subsidy.

Bearing in mind that coupled with the factors mentioned in the paragraph above, any long term projections are heavily dependent on other diverse factors such as rate of inflation, interest rates, rent policies, method of payment on sale, replacement policies, improvement and modernisation policies, long term financial implications are dependent upon the assumption chosen.

We do not feel therefore that at this stage we can specify in overall financial terms but can only comment as follows in the short term: In preparing estimates for the Housing Revenue Account for 1979/80 and 1980/81 examination has shown that even if on average the discounts increased to 40 per cent the Council would make an overall gain, in the immediate year.

- (iii) This Authority anticipates there will be different financial effects due to ages and types of houses sold. The document attached as Appendix 1\* was based on calculations relevant in November 1979. This illustrates our awareness of different effects but we have not carried out an exercise taking into account the effects of changing public expenditure and subsidy arrangements.
- (iv) We cannot specify at this stage the indirect financial effects. The example quoted we would not expect to have an effect on improvement areas. Owner occupiers may be induced to do their own improvements instead of local authority; there may be therefore a resource implication. (In this connection the proposals in the Housing Bill giving the right to improve may have a balancing effect.)

<sup>(i)</sup> Printed page 1.

\* Not printed.

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[Continued

- (v) We have no system for costing individual properties and therefore cannot specify whether there is a reduction in management and maintenance costs. The Director of Finance purely as an accounting measure reduces the maintenance costs by a nominal amount for each house sold. (See Appendix 1\*.)
- (vi) The likely scale must be affected by the following. The fact that some purchasers with a period of considerable occupation may not have given up their tenancy in any event, and the fact that some persons who may have bought in the private sector may reduce the relets available. These two matters could well cancel each other out.
- The number of relets in the City's stock has risen in recent years. We do not however consider that the question of sales and relets are necessarily related. We find it very difficult to speculate where a loss will (if at all) occur especially in view of the possible effect on relets by virtue of the right of succession in the Housing Bill.
- It is pertinent to note that the demand tends to be concentrated on the lower occupancy units at the present time by the existing sales policy shows a relative preponderance for the sale of three bedroomed dwellings.
- (vii) The current figures for tender acceptances is in policy terms 1,250 per annum. A copy of the strategy document for the 1979/80 HIP Bid is enclosed. (See Appendix 2\*.)
- (viii) We have no current material experience upon which to reply. We do not know what gains or losses are likely. We expect there may well be increased management cost in flats (e.g. lifts, common services, common heating supplies) and this could show up as a technical loss in management terms.
- (ix) We would refer you to the AMA response to the Consultation Paper on the Bill. This Authority in making its submissions at that time wholly endorsed their views. The 2-year period would in practice seem a very long time and six months would normally be sufficient for a tenant to decide whether to exercise the option. The 2-year period may be open to abuse.
- (x) It is anticipated the purchaser will gain a capital asset which will increase in value and equity with consequent benefit to the purchaser and their successors. A tenant who buys, effectively stabilises his outgoings, whereas a tenant will be subject to further rent increases. A purchaser will of course become responsible for repair and maintenance with the accompanying inflationary effect.
- This Council's policy is to balance the Housing Revenue Account without making any rate fund contribution. Therefore to the extent that the sale of council houses produces an overall gain, the gain is based on the the remaining tenants insofar as less rent increases are required to balance the account than otherwise would be the case.
- (xi) Examples provided herewith. These are enclosed on the distinct understanding that we cannot warrant they will necessarily be wholly representative of future sales. They have been selected on a random basis. (See Appendix 3\*.)
- (xii) Minimal.
- (xiii) There may be an effect on the mobility of labour. However we do not have specific evidence as Leeds as a City has a mixed variety and mix of available housing and we cannot produce any trends in this respect. How will the increased mobility for tenants in the Housing Bill alleviate the situation?
- (xiv) We cannot be specific. This Council has approximately 97,000 housing units. The vast majority of people who apply to buy are entitled to discount which under the Authority's scheme is 5 per cent initially but after three years' occupation is increased by 15 per cent (i.e. to 20 per cent). To calculate however

\*Not printed.

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[Continued]

the proportions requested we would have to take account of the number of tenants who will qualify (including referrals from other authorities and housing associations of tenants with the requisite period of occupation) and this is a massive, and at this stage highly, speculative exercise. In short, anybody who will qualify under the right to buy provisions in the Housing Bill will of course qualify for mortgage and discount.

## B. Social Aspects

- (i) We would expect the present pattern of sales to continue. This Council will sell properties on pre-war and post-war estates. Sales are of a smaller proportion of pre-war properties than post-war. This should not be treated as conclusive in itself as the levels of income, age levels, and the subjective choice of tenants in what they want to buy can influence what is popular for purchase. Increased discounts may alter the balance of stock sold.

Enclosed is a summary of properties sold during period 1967-1979, pre-war and post-war, and divided into various house types. (See Appendix 4\*.)

- (ii) Current demand is 17,700 approximately. (As per waiting list.) Of this number it is our opinion that about 50 per cent are in genuine housing need, in the sense of present accommodation being unsatisfactory (e.g. overcrowding, voluntary sharing, lack of accommodation).
- (iii) As far as the question of Council relets is concerned please see our comments above.

The general national trends as to the declining availability in the private sector would seem to apply.

- (iv) In the short term there is expected to be no effect on meeting the demand. We do not distinguish as per the specified groups. Each case is considered on the sole criteria of housing need. At the present time we do not sell accommodation for sheltered or specialist housing. If we obviously sell a significantly increased proportion of houses with a possible effect on specific areas, the demand may be more difficult to meet generally, and also in specific areas.

- (v) Sales of large family houses may have an effect on the aspirations of those wishing to purchase a house and who presently occupy a flat or maisonette. Conversely the people who buy would have been unlikely to relinquish their tenancies in any event in the short term.

(Please see Appendix 4\* and note from Director of Housing on operation and content of Transfer List — Appendix 10\*.)

- (vi) We do not have this information, nor would we consider it good administrative or social practice. In its suggestion the question highlights a bad example of management practice. With 97,000 Council tenants the resources implication of this exercise are enormous if the results are to be properly formulated and relied upon, and the central government cut backs in this connection should be borne in mind.

- (vii) We have taken this question in the context of the Tenants Charter and the related provisions in the Bill. The greater freedom given to tenants is taken into account and management hope to be able to maintain in the short term the same levels of service. In the longer term the effectiveness of housing management may be affected. Will it encourage tenants to 'stand on their own feet' and be more independent? Time will tell.

- (viii) Apart from the normal difficulties of dealing with suspended possession orders, the exercise of the statutory power of sale as mortgage in possession and rights under the pre-emption clause (see Wellingborough Borough Council v Williams), and the duty of the local authority to rehouse defaulters who become homeless, the Council submits the attached factual information which reflects their experience over the recent 12 months period. (See Appendix 5\*.)

\*Not printed.

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[Continued

- (ix) None.
- (x) None.
- (xi) We are not entirely sure we understand the exact meaning of the question. If it relates to sales in specific areas, please see above.
- (xii) Not applicable.
- (xiii) No.
- (xiv) Please see above and the appendix.
- (xv) It is possible that the sales policy will have an effect on the provision in the future. At the moment there is some concentration on the provision of low occupancy dwellings (e.g. flats, maisonettes, sheltered accommodation). Replenishment of family houses sold may become necessary, but to what extent could well be materially affected by the provision of houses by the private sector.
- (xvi) (a) We have no specific evidence. In the opinion of our Estates and Development Department the sale of Council houses on resale is slightly more evident in recent months; but the effect is very minimal indeed.
- (b) No.
- (c) Cannot answer.
- (d) Really too conjectural to apply to.
- (xvii) No evidence of this.
- Please refer to our earlier evidence, i.e. particularly, people who wish to buy, are probably not likely to move out in any case.

## C. Background Material

(i)	Houses	55,123
	Bungalows	2,762
	Maisonettes	3,315
	Flats	19,297
	Multi-Storey Flats	9,369
	Miscellaneous Properties	7,245
	<b>Totals</b>	<b>97,111</b>

Difficult to reply to, partially because of changing boundaries of local authority over that period.

Tenure composition? Do you mean types of housing stock? If so, please see above. Otherwise they are all tenancies and therefore of leasehold tenure. The Council owns the freehold.

(ii)	Estimated need 1978/86	—	Lower Limit — as per Structure Plan
			27,500
			Upper Limit
			33,500
	1986/91	—	Lower Limit
			6,300
			Upper Limit
			9,400

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[Continued

(The original written statement allowed for a County estimated need for 1978/86 of 62,900 — 75,700.)

These figures, particularly for 1986/91 reflect the extent of land likely to be available for housing development.

The Secretary of State has very recently issued modifications to written statement of Structure Plan provisions as follows:—

79/86	New dwellings in Leeds
(He has rolled forward the provision)	30,000
(County figure for 1979/86	80,000)

- (iii) Please see attached scheme — Appendix 6.

We would respectfully suggest that particular note is taken of this as it represents considerable practical experience of the operation of a Council house sales scheme, and does not relate to mere speculation and conjecture.

*Other Documents Included as Follows:*

Appendix 7 — Annual Relets from 1975.

\*Appendix 8 — Applications held by Classification.

\*Appendix 9 — Comparative Figures for Provisional and Firm Valuation.

\*Appendix 10 — Transfers, Exchange and Allocation Practice and Housing Allocation Scheme.

\* Not printed.

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[Continued]

## APPENDIX 6

## LEEDS CITY COUNCIL — DEPARTMENT OF HOUSING

## Sale of Council Houses

Leeds City Council, at a meeting held on the 25 June 1975, agreed to a resolution of Housing Services Committee on the sale of Council houses. This resolution was subsequently amended in June 1976 when the pre-emption period was reduced to five years and changes were made in the discount arrangements. The scheme to enable Council tenants to purchase is as follows:—

- (a) That two-bedroomed (four person); three-bedroomed and four-bedroomed permanent houses be sold to existing tenants desiring to purchase, except in cases where houses are affected by development proposals or where large landscaped areas are involved, and that authority be delegated to the officers to approve applications within the specified categories.
- (b) That applications to purchase houses other than those authorised to be sold by paragraph (a) above be referred for a decision to the Housing Services Committee or its Appointed Members.
- (c) That a minimum deposit of £1 be required in respect of each house sold.
- (d) That prospective purchasers be given the opportunity to purchase at either:—
  - (i) the current vacant possession market value of the house; or
  - (ii) with the benefit of the discount from such value set out in paragraph (e) below in which case the conditions relating to price of resale and the Council's right of pre-emption within five years of sale, as set out in the Ministry of Housing and Local Government Circular 54/70, be imposed.
- (e) That the discount referred to in (d) (ii) above in respect of the pre-emption period being 5 per cent for all purchasers, but that there be an additional discount of 15 per cent in the case of purchasers who have been Council tenants without a break for three years or more immediately before the sale.
- (f) The Leeds Law Society have resolved that in cases where sitting tenants purchase property from the Council with a mortgage by the sitting tenant back to the Council, at whatever purchase price, and where the Council give a certificate of title, provide printed forms of conveyance and mortgage, and at the Council's own expense deal with the application for first registration without the need of searches, that members of the Society are recommended to charge a uniform fee when acting for a purchaser in the sum of £30 but that such is a recommendation only, and that the true basis of charging in these matters is as prescribed by the Solicitors Remuneration Order, 1972.
- (g) That the attention of the building societies be drawn to the scheme for the sale of Council houses and that they be asked to adopt sympathetic attitude to advancing money to the prospective purchasers and, if possible, set aside a quota of funds for the purpose.
- (h) That the rate of interest on loans made by the Council under Section 104 of the Housing Act, 1957 to purchasers of Council houses be that made from time to time by the Council for loans by the Council under Section 43 of the Housing (Financial Provisions) Act, 1958.
- (i) That applicants be required to pay a fee in respect of legal and survey fees of £50 in cases where a loan is made by the Council and of £25 where a loan is made by a Building Society or other similar agency.

Operational Details

A Publicity brochure is available at all 23 decentralised Housing Management Offices and this includes an addressed printed postcard. Tenants who are interested forward the postcard to Head Office. Details are entered in a house sales register, the application is cross-indexed and a reference number allocated.

Form HP2 is prepared and sent to the appropriate decentralised office for completion



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[Continued]

and return to Head Office. If the house does not fall within the specified types the application is scheduled and referred for a decision of the Housing Services Committee or the Appointed Members of that Committee.

**Provisional Valuation and All-in Costs** — Form HP3 is completed and attached to the original HP2 and these are sent to the Department of Architecture and Landscape for details of the original all-in cost. The forms are then sent to the Department of Estates and Development so that they may provide a provisional valuation. It is not normally necessary for a physical inspection of the property to be carried out, most provisional valuations can be determined by reference to existing records. This saves time and abortive visits of inspection.

**Letter to Tenant** — The Department of Housing, on receipt of completed forms HP2/HP3 send a standard letter HP/PV to the tenant and this gives details of provisional valuation. A printed reply-postcard is enclosed and if the tenant wishes to proceed he returns the postcard, on receipt of which arrangements are made for a Valuer to call so that a detailed inspection and firm valuation can be established.

**Firm Valuation** — Details of firm valuation obtained from Department of Estates and Development are sent to the tenant in the form of a standard letter (HP/FV/1/2), together with a Council mortgage application form. The letter contains details of the firm valuation price (market value) and details of discounts allowable.

**Mortgage Facilities** — The tenant may proceed on the basis of a Council mortgage by completing the mortgage application form which he then forwards directly to the Department of Finance. If the tenant wishes to proceed with the sale by means of a cash purchase or with the aid of a private loan, he advises the Department of Housing accordingly.

The Department of Finance receive the Council mortgage application form and forms HP2/HP3 are supplied. At the same time an order for plans is place with the Department of Architecture and Landscape. In the meantime appropriate enquiries are made regarding the applicant's financial status, and, subject to satisfactory references, the amount of advance, term and monthly repayments, is fixed. Details of the mortgage offered are forwarded to the tenant by the Department of Finance. On receipt of the form of acceptance duly signed by the tenant, full details are forwarded to the Director of Administration in order that conveyancing may commence.

**Site Plans** are produced by the Department of Architecture and Landscape. These are sent to the Department of Housing and a site inspection of the property is arranged in order that boundary details may be delineated on the plans so that shared footpaths, shared access drives and any other relevant covenants, may be established. The completed plans are then forwarded to the Department of Administration.

**Conveyancing** — On receipt of mortgage details and the completed site plans, negotiations with the tenant's solicitors may commence. After the tenant and the tenant's solicitors have agreed the Draft Deed of Transfer, completion is effected as soon as the deposit (minimum £1) and the legal and survey fees of £50 are received where the loan is made by the Council (£25 in the case of a building society or similar agency).

**Completion of the Sale** — Memoranda are circulated to Housing Managers at the respective Decentralised Housing Management Offices and the Departments of Public Works; Architecture and Landscape; Estates and Development, and Finance. All the appropriate internal sections of the Department of Housing are also simultaneously notified so that internal records are amended accordingly.

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[Continued

## APPENDIX 7

## Annual Relet Rate from 1975

<i>Year</i>	<i>Total Housing Stock</i>	<i>No. of Relets</i>	<i>% Rate of Relets in relation to Total Housing Stock</i>
1975	94,706	4,036	4.26
1976	96,449	4,155	4.30
1977	96,587	4,042	4.18
1978	97,111	4,445	4.57
1979	97,134	4,667	4.80
1980	97,034	4,881	5.03

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COUNCILLOR A CARTER, MR B GLOVER,  
MR M ILEY, MR J KITCHEN and MR D CLARKE

[Continued]

## Examination of witnesses

COUNCILLOR A CARTER, Chairman, Housing Committee, MR B GLOVER, Assistant Director, Housing (Management), MR M ILEY, Housing Solicitor, MR J KITCHEN, Assistant Director of Finance, and MR D CLARKE, Valuer, Estate Department, from Leeds City Council, called in and examined.

Chairman

347. Good afternoon. Thank you very much for coming down. We are particularly appreciative of the fact that you have come at a time when we are aware that you have elections in the immediate offing and we realise the pressures that are imposed upon you at a time like this and we are very grateful to you. We are conducting an inquiry into the financial and social implications of the sale of council houses and are very grateful to Leeds for the trouble which has been taken in the written evidence which has been produced to us. It is the fact that Leeds has been one of the examples cited in the discussions which have taken place on the desirability or undesirability of the issue over the last few years which caused us to ask you to come and give oral evidence to us. We shall be referring to that evidence and asking you to elaborate on parts of it and on the material supplied with it. Could we start by looking at the evidence and the assessments made by Leeds as to the financial implications of sales? Can you tell us in the first place whether the calculation information prepared in November 1976 as to the long term implications of sales is the only one that has been prepared and whether there is any more up to date assessment that has been made?

(Councillor Carter.) We have monitored the on-going current situation. Perhaps Mr Kitchen would like to answer that in more detail.

(Mr Kitchen.) When the Council embarked upon this policy of selling houses the appraisal was done in June 1975 setting out the financial considerations, the pros and cons, of selling houses from a financial point of view. At that time there had been no valuations of Council houses carried out and it was pointed out what the implications were in general terms and what sort of implications one could expect short term and long term based on various valuations. Of course the financial effects were not the prime consideration at that time in embarking upon the policy of sales and the document which we supplied to you dated November 1976, which we thought would be useful to you, was our first real indication, having had the sales coming through

the system, of exact types of houses and valuations. We set out there the immediate effect in the short term and also what the long term effect could expect to be, given various assumptions. The Council was very conscious of the fact that the long term implications were subject to extreme variations based on whatever assumptions were taken. That was certainly knowledge to the Council and advice which had been given during that time. Since that time we have monitored the situation in so far as special, at the time budgets were prepared. We then see the effects of selling houses in the short term although it has now been some five years since that policy was started, but we have not carried out any specific appraisal into examining the various alternatives, consequential effects in long term future situation.

348. I imagine that the Council will have taken note of the article by Bernard Kilroy in *Roof*, the issue of May 1977, which specifically challenged the Council's assumptions on which the calculation was based. Perhaps I might ask you whether in the light of the experience of the time since those assessments were made some of the assumptions have been borne out because I think it is fair to say that the figures assume, for example, a rent income growth of 5 per cent per annum, repair costs an increase of 10 per cent per annum. To what extent for example, having those two assumptions, has the experience of the period since the assessments were made varied from the basis of the assumptions?

(Mr Kitchen.) Those examples in the exercise carried out by Shelter, I have not got the figures before me, but say since the date of that publication on what the increase in repairs or the increase in rents have been as a matter of percentage, but in both cases the rates have been considerably higher than those in the assumptions. There is also another part of the calculation which has changed and that is the increase in valuations of the council houses. I think it is fair to say that figures of 5 and 10 per cent on anything have been proved very low. There have been much larger increases than that.

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COUNCILLOR A CARTER, MR B GLOVER,  
MR M ILEY, MR. J KITCHEN and MR D CLARKE

[Continued]

Mr Johnson-Smith

349. But in the note you kindly sent us these assumptions were very broad assumptions and although I can understand that the assumption for example that £100 per dwelling was the amount you took as the cost per annum as the cost of management and repairs, that that might in fact be an under-estimate, nevertheless I think it would help, would it not, to have had something more specific than that? You have assumed certain savings but you have not costed it out so far as I can see except in the very broadest of terms.

(Mr Kitchen.) I think this is the fundamental point. It is not possible to be exact and to cost these exercises exactly. The information is not available and such exercises are based on future assumptions and we feel it is very important to consider the broad implications without placing too much reliance on specific assumptions which could be wildly inaccurate. For example, the article by Shelter draws conclusions based on specific assumptions. Those assumptions were not particularly unreasonable at that time but the whole conclusion drawn from that document is based upon those assumptions. On the basis that the wrong conclusions using specific assumptions may be drawn from those assumptions what we have pointed out is the broad implications of selling.

350. I understand the problems you face but there is a bit of a track record now and it may be I am not as fully conversant as I ought to be with the practical difficulties that you have when you have to extrapolate from an experience, but there is an experience and a practical experience of sales. On the basis of the sales that have been made, how do you stack up in respect of savings in management and maintenance costs? Better than you thought or worse?

(Mr Kitchen.) Firstly, we have not got a system for costing the actual costs of each Council house. We have a costing system which will divide costs into groups of houses of various ages, usually by an estate management office for the purpose of controlling the budget. Of course, we cannot say exactly what repairs we have saved by selling a house because not having had that house in our stock we do not know what it would have cost had we retained the house, so to that extent factual evidence cannot be particularly available on that. It must be hypothetical. We could look at the house next door and say, "What had that cost"

but that information is not readily available. We have not undertaken a thorough examination of what those actual savings may have been but in preparing the budget each year on the housing revenue account we have managed to reduce the budget by an average cost of repairs multiplied by the number of houses sold, so in overall terms I know that we have saved on the housing revenue account expenditure equivalent to the average cost of repairing a Council house, but I do not know whether I have saved it on that particular one.

Mr Scott

351. Do you find there is a real difference between the average cost of maintenance and repair and management of a flat as opposed to a house as if you sell a flat?

(Mr Kitchen.) We do not, at the present time, sell flats. There is a difference but, as with all repairs, there is a very large difference based on the time and age of a dwelling. Historically, blocks of flats in particular seem to go through that phase of remedial work after some ten or 15 years.

Mr Marshall

352. Could I come back to your statement that it is related to the claim of the overall gain to the housing revenue account? In the third part of A (ii), on page 101 you say, "In preparing estimates for the Housing Revenue Account for 1979/80 and 1980/81 examination has shown that even if on average the discounts increased to 40 per cent the Council would make an overall gain, in the immediate year." All your figures in the submission do refer to the immediate year presumably, following sale?

(Mr Kitchen.) Yes.

353. Have you followed this up for, not ten or 15 years ahead, but for the four or five years ahead?

(Mr Kitchen.) I have specifically examined at some time the effect in 1979/80 based on the sales in the first year of 1976/77 and the level of savings which had been achieved in the immediate year appeared to be continuing.

354. Is there not a time when the gain ceases and you do begin to lose? Does not a time come when there is a cross-over point from gain to loss and is it not the same period of time as postulated by Mr Kilroy in his *Roof* article?

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[Continued]

[Mr Marshall Contd.]

(Mr Kitchen.) The answer is, that could well be the case. I do not dispute the assumptions made in the Shelter article and the fact that a house could go from a gain situation to a loss after so many years. I seem to remember that it was about 15 but is varies in that situation. It depends again on your interpretation of that situation. Whilst I seem to remember some graphs which showed a house going from a gain to a loss, the exercise is not quite as simple as that in so far as the gains you make in the earlier years are sufficient to pay for losses in some future years, so whilst an individual house may have protection even after 15 years, depending on circumstance, you have made gains in the earlier years which could be used to pay for losses in later years.

355. In answer to the Chairman's opening remarks you did say when this scheme was originally drawn up you were not primarily interested in finding the implications of the scheme — and I am not trying to draw any officer into the political arena — but could I assume from what you said that the reason for sale was political rather than financial?

(Councillor Carter.) No, the main reason for sale was social. We believe tenants should have the chance to buy houses.

356. That is a political assumption rather than social.

(Councillor Carter.) It is not a political assumption at all.

Chairman

357. I think that question is one for the Committee to conclude when it comes to its report. Can I ascertain whether any other of our witnesses would dissent from what I understand has just been said, that the council would not fundamentally dissent from the assessment in the *Roof* article by Bernard Kilroy but that over a period it varies from about 12 to 14 years, depending on the assumptions, that the gain would turn into a loss?

(Councillor Carter.) I think we have said the assumption may or may not be correct. It is an assumption. Therefore it may or may not be the case.

358. At the present time on the information you have, in the light of experience over the last few years, am I correct in inferring that you would not quarrel with the assessment in the *Roof* article that in

the term of 12 to 15 years in fact the Council might lose financially? We will come to the social issues later.

(Mr Iley.) We do not have any specific evidence to support that. We do not necessarily accept the assumptions in Mr Kilroy's article. We do not have any evidence to say those assumptions are wrong; that is all we are saying. We have a feeling that certainly the assumptions are superficial. I think we would like to take more account, for example, of individual tenants' occupation, their income levels and the overall state of the repair and maintenance of the house concerned; we would like to know more about the particular houses he looked at. I do not think we necessarily accept that what he is saying after a 15-year period will happen.

(Mr Kitchen.) If I could add to that, whilst we cannot say that the assumptions were right in that article or wrong, what I am saying is that I think the article is misleading by using a certain set of assumptions. What the article should do is show you how sensitive that calculation will be to various assumptions because I think if the exercise was carried out showing let us say 10 per cent instead of 5 per cent, or even a smaller margin, it may well vary or 20 years or 25. I think you will find that the conclusions will vary enormously using different assumptions. I think any article which — this is the same in any evidence. Any evidence which makes specific assumptions, however reasonable, will not show the Committee to what extent there can be very wide variations in the results. What is more, we know gains are occurring in the short term and, as I said, gains are available in the short term to pay for any losses in the future if they occur, but what is more important is that a pound gained today is worth a lot more than a pound lost in the future and you must discount future losses on present-day prices to do a proper comparison. I do not think that was particularly brought out in the Shelter article.

Mr Miscampbell

359. It may be very unfair to cross-examine you about an article which you probably have not got in front of you or may not have considered since it was no doubt brought to your notice some years ago. The only thing going through my mind is can you give us even the broadest indication of the divergence between the assumptions that were then made nearly three years ago and what is actually hap-



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pening on the ground in Leeds over the last three or four months? On that, although it may not be immediately relevant, I take immediately your point that one of the difficulties in any inquiry is to recall the currency of the pound and there is no relationship between a 1975 pound and a 1982 pound although they are called the same thing. One has transferred into dollars and is hastily transferring itself into francs although we call them all pounds.

(Mr Kitchen.) We could provide the Committee with the increase in rents over the last five years, increase in repairs, and give you that information. I have not got it to hand.

360. That is very fair.

(Mr Kitchen.) There is no reason why that information cannot be provided for your attention.

Mr Sever

361. It is of course in some respects hypothetical to ask you as to what the financial outcome might be with regard to adopting the policy of selling council houses; I accept that. I think we have to accept also that there is a lot of guesswork involved in the *Roof* assumptions, but surely at some time or another the Authority must have come to some conclusions as to whether it was a good bet financially or not to embark on the policy of selling council houses, and whilst assumption plays a great part in that kind of decision taking, and I accept it, the decision taking is not the officers' function. Surely some arithmetic must have been done somewhere in order to advise the Council as to where it might go to refer to this policy? Was that done in the light of this context so that at least the Authority had some idea where it was going based on what properties might be sold and in what quantities?

(Mr Kitchen.) Throughout the five years we have monitored what the position was in the current year in that we only worked in broad terms. We have not specifically looked to see whether a particular house would have fallen into a loss situation or even if the gain had increased, which may well have been the case. In overall terms the levels of surplus per house appeared to be maintaining the same level and to that extent the council was satisfied that it was still making those losses in the short term and I do not think there was any reason to bring to the Council's attention a requirement to change their policy on financial grounds.

Mr Johnson-Smith

362. Presumably most of the houses sold are those which are newer houses and therefore involve less maintenance costs and repairs? That being so, the ratio of maintenance costs to rent must be very much higher, and has that not been taken into account when evaluating the true cost of the sales of houses and the effects on rents?

(Mr Glover.) I think the assumption is wrong. We have sold pre-war type houses and post-war houses and in fact the very recent houses are not selling very well because of the price. Obviously the selling price is affected by the discounting provision and they are not selling well because they do not attract discount. The most popular type of house for sale from the tenant's point of view might be a typical post-war, three-bedroomed house which is going for about £10,000, something like that, but as I say we are selling houses of all types, but the more modern ones are not selling quite as highly because of the price.

363. And because of the discount? They are unlikely to attract the same discount as an owner-occupied house?

(Mr Glover.) That is right, because we cannot sell below the all-in cost.

Mr Marshall

364. We did have written evidence from the Catholic Housing Association\* who claim to have done a breakdown of your sales and their survey claims to reveal that there is a wide range in the proportion of sales, from 0.4 per cent in Hunslet to approximately 10 per cent in Moortown. Would you in general terms accept those figures?

(Mr Glover.) No. I think if you compare the number of houses sold on any particular estate the only way you can do it really is by looking at the percentage of saleable stock on that particular estate. You mentioned Hunslet. We are not selling any houses at Hunslet because they are flats in fact. Obviously the percentage is affected by that factor. If you extract the number of sales on a particular estate as a percentage of the saleable stock, that would give you a better indication of the actual fact.

365. How would Moortown compare with Middleton?

(Mr Glover.) I would think the proportion of sales of saleable stock would be higher on Moortown than on Middleton.

\* Printed page 198.

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366. Would you agree they are comparable estates?

(Mr Glover.) No. I think Middleton is possibly less attractive.

367. Are the sales substantially lower than on Moortown?

(Mr Glover.) What do you mean by that?

368. I have just given you the figure of 10 per cent for Moortown which you did not dispute.

(Mr Glover.) Slightly less than that.

369. You disagreed with the analogy of Hunslet Grange and Moortown?

(Mr Glover.) Yes.

370. Would you put a figure on Moortown?

(Mr Glover.) I would take issue first of all with the kind of assumption that the Catholic Housing Aid Society has made. They made it on very flimsy evidence.

371. I am accepting what you say about the Catholic Housing Association paper but what I am asking you is my own question, not related to the Catholic Housing Association. You do not dispute the ten per cent figure for Moortown?

(Mr Glover.) No.

372. What would be the comparable figure for Middleton?

(Mr Glover.) May I refer to the paper? Middleton — by the way, these are figures up to 31 March 1979 —

373. We have a figure here of 6.2. Would that be about right?

(Mr Glover.) That is right, that is on the pre-war stock. On the grand total we have sold 200-odd out of 2,842. Overall, we have sold about 7.3 per cent of the saleable stock at Middleton.

374. So the demand for sales is greater in the higher amenity estates?

(Mr Glover.) I do not know. It would appear to be so but there are other factors at work. At Middleton, for example, the ability of people to pay for the price of the houses there may be in doubt; the desire to buy may be less.

Mr Winnick

375. Could you tell us about Hunslet? Can you tell us the prices of houses?

(Mr Glover.) Hunslet is an area of the

city with a varied range of housing. We have Hunslet Grange which is a system-built block of flats or series of blocks and we have quite a lot of modern, terraced development in various parts of the city.

376. Not knowing Leeds, is Hunslet as attractive a part of Leeds as Middleton or Seacroft?

(Mr Glover.) I am sure many people who live at Hunslet would not dream of wanting to reside at Seacroft.

377. Would it not be correct to put matters quite clearly, that Hunslet is less popular an area for a residential area than Seacroft and Moortown?

(Mr Glover.) I do not accept that. There are people, for example, who want to live at Hunslet and if you offered them accommodation at Moortown they would not want to go there.

378. It is interesting but I want to pursue it. In the figures, which I should add the Catholic Housing Society have given us and not yourselves, there is a breakdown of districts. I assume you must have seen the evidence. Hunslet shows a sale of 0.4, Rothwell 2.6, against Moortown 9.8 and Seacroft 6.5 and I would have thought that this shows it is the more popular areas taking an objective view, the more attractive areas where you are likely to get a greater wish to buy the accommodation.

(Councillor Carter.) With respect, the question presumes people have a standard view of what is a good amenity area. We can take the instance of Otley which is a rural area adjacent to Leeds and I would personally say it is a high amenity area, and yet we have sold houses there at about 2.5 or 3 per cent. Why is that? People perhaps do not want to buy houses there. It is a very attractive area, but people have an attraction to their own area.

379. They have an attraction to their own area and I accept all that but at the end of the day one looks at an analysis of what has been sold in what areas and it is interesting to note that areas which are considered to be the most attractive, with the most amenities and the rest are clearly those areas where there has been a greater number of sales. When Mr Marshall asked you about the figure you said earlier on that you disputed some of the evidence of the Catholic Housing Society. However, you agreed that the figure given to us was a correct one

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as far as Moortown was concerned? You do not dispute that?

(Councillor Carter.) No.

Chairman

380. I think we will come back to the question of the mix of property being sold. On the financial aspect, one of the essential differences between the assessments which Leeds made in its 1976 appraisal of the assessment by Mr Kilroy in the *Roof* article to which we are referring, is that Leeds assumed that rents would rise at something like 5 per cent and maintenance costs at about 10 per cent. Whether those were right or wrong is perhaps immaterial to the point that the assessment was based on the assumption that repair and maintenance costs would rise at approximately double the rate that rents have risen. I would be grateful if we could ask Leeds — we do not want to give you a very heavy burden — but if you could look again at the financial appraisal of 1976 in the light of the *Roof* article and if you could tell us which assessments in the light of experience of the years that have passed since then have been closer to accuracy. Would it be possible for you to do that?

(Mr Kitchen.) Certainly. It depends what period you want to take over these increases but I do have that from 1960 to 1977, repairs in Leeds increased by 14 per cent compared with rents of 10.8.

(Chairman.) If we could look at the period from 1976 to now we would be very grateful.

(Mr Johnson-Smith.) There is a rent rebate scheme operated presumably?

(Chairman.) Of course.

Mr Johnson-Smith

381. What is the average rent paid in council property?

(Mr Kitchen.) The average rent is £6.85 a week.

382. And then rates on top and any extra charges which people have to pay by virtue of being council tenants?

(Mr Kitchen.) Not unless they are receiving certain services such as integral heating or garages.

383. That is rather a low rent, is it not?

(Mr Kitchen.) It is about the average rent of authorities and metropolitan district councils.

(Mr Miscampbell.) It is certainly low by Wirral terms. I am not talking just about

the South of England.

Mr Dobson

384. There is an average in the Public Expenditure White Paper of about £8, I think.

(Mr Kitchen.) There are variations obviously, as we have given you in one of the appendices.

(Chairman.) Perhaps we can write to you following the conclusion of the Committee to clarify the particular points which we would be grateful if you could deal with for us. Could we turn to the supply and demand of accommodation for rent?

Mr Scott

385. You are one of the authorities which has given a lead in council house sales but you have managed to keep your building programme ahead of the figures. When the statutory right comes in to buy do you envisage being able to increase the stock of publicly owned housing in the city or does your strategy provide for increasing that stock or maintaining that stock at a particular level?

(Councillor Carter.) We have programmed up to this year for a new build programme of an average of 1,250 a year but that is likely to be considerably less, probably an average of 900 to 1,000 because obviously our Housing Investment Programme Allocation has been cut, so I would personally have thought that the total number of council dwellings would probably fall in the next few years subsequent upon the implementation of the Government's Housing Act.

386. Do you see that drop being replaced either by extra provision in the privately rented sector or demand being satisfied in the owner-occupied new build?

(Councillor Carter.) We hope so because our overall housing strategy in Leeds has been to have still a substantial public sector building but to encourage private builders to build and in the private sector by making land available, land we would probably not have been able to use for many years. We have been pursuing that policy for the past four years. Unfortunately, up to last year there was no indication of any upturn in the private market. However, the starts since last May have been quite considerable and whilst it would still not bring us back to a figure we would like to see, at least it indicates to us that there is an upturn at least in Leeds of the private house building market



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and that has been the cornerstone of our house building strategy and I am pleased that it is now beginning to happen.

387. How long would somebody have to wait at the moment for a council flat if they come on to the waiting list in the normal way? With the reduction from 1,250 to 900 or 1,000 what change is that likely to effect in the time somebody would have to wait?

(Mr Glover.) It is very hard to put a precise time on the waiting period because of the way the allocation policy works. We allocate houses or flats on the basis of housing need and what will happen if there is a reduction in either the re-let rate or the rate of building does not effect the people on the waiting list with the greatest degree of housing need so that the people with the greatest housing need would continue to be housed with the appropriate degree of priority, but the people with the least housing need would have to wait that much longer. For example we allocate permanent council accommodation to about 900 houses a year on the grounds of homelessness. We will continue to meet that commitment despite what happens to the housing stock because we will have to.

388. You say in your submission that there is a priority. You are adapting your housing stock to cope with priority and specialist needs, the disabled, elderly people and so on.

(Mr Glover.) Yes.

389. What sort of percentage of the work you do each year is adapting the accommodation to those needs? To what extent is a proportion of your stock not available for meeting general housing need and new housing need?

(Mr Glover.) I am sorry. I cannot answer that precisely, but the new build, the concentration if you like is upon the smaller units of accommodation because at the moment there is a mismatch if you like between the waiting list and the housing stock and to redress that balance the new developments have a higher proportion of specialist housing and shelter housing, low occupancy units, to balance the housing stock. We are not losing on the housing stock because of adaptations that are taking place except in cases where, for example, we might be re-structuring, where we might convert, say 3-bedroomed flats to 2-bedroomed houses and things like that, and

there is a whole house improvement programme.

Mr Dobson

390. Your HIP bid for this year was 43.6 million. How much did you get in the end?

(Councillor Carter.) The actual money we arrived at was 29.7 million but with the carry forwards it was 31.8.

(Mr Iley.) That is the programme figure for the coming year.

(Councillor Carter.) We are programmed to spend for the coming year 31.8 million or thereabouts.

391. What effect is that likely to have on your construction programme, that reduction?

(Councillor Carter.) As I indicated, it would, over the course of a few years, reduce the average new build. Because we have a certain number of sites actually under construction at the moment the effect is not likely to be necessarily next year but maybe the year after because obviously it takes some time for the construction of houses on a council scheme. Therefore we will perhaps lose a number of houses next year but we certainly will the year after.

392. As I understand it there is not a housing shortage in the whole of Britain but it is accepted that in Leeds there is still a shortage of housing compared with the number of households and that you are aiming for 3,400 completions a year. If you are going to have this reduction how is it you can be confident about an increased contribution from the private sector if, as I understand it, private sector completions have fallen from over 2,000 in 1975/76 to less than a thousand last year?

(Councillor Carter.) We can only be confident in that in as much as the indication now is that starts this year are starting to improve. The number of starts is growing and that leads us to believe that in the course of the next two or three years they are going to start taking the slack.

393. But the document we have got on page 7 refers to private house building and says that the Council sale of land to private house builders should begin to provide new dwellings, not new starts, presumably towards the beginning of 1980. Was there any evidence of that? There appears to me to be a fall rather than an increase.

(Councillor Carter.) We know there has

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been a fall over the past four or five years, culminating in the very low level of completions in the year that has just passed. The number of starts on site of private developments is now starting to increase. That is not to say that it is at the level we want to see; I am not saying that at all, but the number of starts is improving as opposed to last year.

394. The written evidence we have dated 12 June last year is talking about an increase in dwellings, presumably completions, towards the beginning of this year, but there is no apparent evidence of that.

(Councillor Carter.) I think you have to take into account the depressed level of mortgages and things of this nature because obviously it is going to have an effect and I must say I have been pleasantly surprised to notice that there have been any upturns in the private sector in starts and that has been noted in Leeds and I press the point again.

Mr Sever

395. I understand that last week or recently a very substantial piece of land was sold by Leeds for private house development. Presumably this decision was made in the light of the probability of the private house starts being more likely to be brought about in the immediate short-term future than council house starts having regard to what the Chairman said a moment ago about the policy of the Government's reduction on the HIP allocation, so presumably the matter is tied in with what my colleague was asking a moment ago, but if the Authority is selling off large pieces of land the development is going to take place but not by the Authority?

(Mr Clarke.) On the sales you are referring to I was speaking to the builders only this week and they plan to be on site next week. The contracts are going through at the present time. The reason for the low starts has been the shortage of serviced land. When I say "serviced" I mean land with the available infra structure, drainage, roads and so on. We have had some of the largest national builders who just would not have had any land available to them in Leeds had the City not sold it to them.

396. What sort of property are they likely to build on this sort of allocation?

(Mr Clarke.) The sort of sites one has dealt with are one site of 60 acres if you take 12 per cent as the rough average,

another site of 45 to 50 acres, another site of 20 acres which are on the go now and starts are beginning to arrive or will be going on each of those three sites.

397. Can you tell me whether it is not considered likely that the local authority could have responded by building themselves on those sites and why was it necessary to sell the land off for private developments?

(Councillor Carter.) To begin with we would not have had the financial capability ourselves to build upon that land. It would have meant our not building on other sites which we regard as more important for council development. It is also consistent with our policy for making land available to private builders that we did sell these pieces of land. Some of the areas of land we have sold are adjacent to either council developments being undertaken at the moment or where there is already a council development which creates the right sort of social mix in our view, getting houses adjacent to each other in public ownership and also in private ownership.

Mr Johnson-Smith

398. What do you expect the price to be for these houses on these estates?

(Mr Clarke.) A price that reflects their facilities and location.

399. But there must be some guesstimate going around. I know on some of the land that has been sold by a council in my own constituency we had a good idea of what Barratts would expect to get and they got it.

(Councillor Carter.) Since you have mentioned a particular builder, I understand they are going to be building semi-detached houses on a piece of land we have just sold in the region of between £18-£20,000.

Mr Marshall

400. If the Chairman of the Housing Committee will forgive me, I find it difficult to identify with the new City of Leeds. The City of Leeds, I recall, was the one in operation before 1974. I wonder if the Chairman can tell us how many council houses being built out of his total of 1,000 are houses actually being built in the boundaries of the old City of Leeds and how many outside and whether the plot that was sold last week was within the boundaries of Leeds City area or outside?

(Councillor Carter.) I cannot answer the

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first question. On the second question, I understand the plot sold last week was within the old county boundaries.

401. From the evidence we have, in your new area the division of ownership is owner occupiers 51 per cent, local authorities 36 per cent, private renting 12 per cent. Would that reflect the distribution within the old City of Leeds boundaries?

(Councillor Carter.) I do not think I could accurately answer that at the moment. We could probably get the information and let you have it.

402. I presume the predominance of council houses in places like Pudsey, Horsforth, and Otley is still as low as it was?

(Councillor Carter.) I would not say that. Coming from Pudsey myself, as far as I am aware most of the land we are selling at the moment is inside the boundaries of the old Leeds CBC. Most of the land in the outlying areas is green belt land and it would not be our policy to build on it.

Mr Dobson

403. Coming back to the point as to why the land on the two major sites was sold last week, I am not sure that I caught aright what the gentleman on the left said about the availability of land for private building, because it is my understanding that the private developers, in terms of existing planning permits, had the equivalent of their one thousand a year output for the next seven years without the addition of these sites. Is that correct?

(Mr Clarke.) If one is free to name builders, one can say that Wimpeys, who have been active and bought one of the sites you referred to, had, but for the city council sale of land, no land at all in Leeds. They are relying now on our own supply; we are providing their land to them.

404. I am not particularly interested in the merits, demerits or anything else of one particular builder or even several individual builders. What we are interested in is Leeds and elsewhere is the more global aspect. Is it not the case that there was land in private ownership on which there were planning permissions in excess of 7 to 8,000 houses at the time these sales took place?

(Mr Clarke.) The response of the builders, not just in that company I mentioned but other builders, is that they have not got any land available for development.

405. Could we, through you Chairman, ask the city council if they could supply us with the figures for the outstanding planning consents for housing in the private sector?

(Mr Clarke.) I think misapprehensions can arise when you talk about land which is allocated for residential houses as oppose to —

(Chairman.) I think if you could give us that information we would be grateful.

Mr Scott

406. In your background information in the evidence, there is a question of the estimate of need and the revised proposal put forward by the Secretary of State — "New dwellings in Leeds 30,000" and underneath it says, "County figure 80,000" — that is, needed for the county.

(Mr Iley.) I am sorry if we have slightly misled you. That is a county figure put in for comparison purposes.

407. And the 80,000 and 30,000 are within the city?

(Mr Iley.) Within the metropolitan district, yes.

408. On the other point that Mr Glover was talking about earlier, that it was difficult to be precise about the period of time somebody would have to wait for a council house or a council flat, is it possible perhaps to get a profile of say two types of entrants to the housing list and make an assessment of how long they would have to remain, bearing in mind their existing housing situation, and give us some sort of guidance as to how long somebody would have to wait?

(Mr Glover.) With respect, that could be very misleading. There are a number of imponderables that affect the waiting time. In Leeds, we allocate according to the need of a family, the requirements and the size of the house and also according to their choice of area. The choice of area and the choice of accommodation can very materially affect the length of time they may have to wait so if you look at two cases of the same classification, the same date, the period of time they might have to wait may be very different and it may be very misleading because one person has been quite content to take whatever became available at a particular time and was not too particular perhaps, he may have readily accepted a maisonette whereas the other family would be insistent on a three-bedroomed semi.

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409. I accept that. I am wondering if somebody came to you and was desperate and prepared to accept anything, how long would they have to wait?

(Mr Glover.) Tomorrow. If a family is homeless and they are literally going to be without accommodation in two or three days or tomorrow, we would make them an offer of immediate accommodation, provided they were in a position to furnish it.

410. Permanent accommodation?

(Mr Glover.) Yes. I would make a distinction that if they were in an emergency situation and they could not furnish a house in the first instance, we would have to provide them with temporary accommodation ready for occupation in all respects. As far as homelessness generally is concerned, if a family is threatened with homelessness and likely to be homeless, within a specified period of time, we would make them an offer of permanent council accommodation within the time period at our disposal. We define a housing need in relation to involuntary sharing, overcrowding, lack of amenities, health and so on and so somebody else who may be living in involuntary sharing conditions with possibly a two-bedroom deficiency, the waiting time for somebody in that classification would vary enormously from area to area, depending upon the kind of accommodation they would be prepared to accept. Nevertheless, we would seek to make them an offer pretty quickly. If we were to give you specific examples, it could be quite misleading and quite meaningless.

Mr Winnick

411. These are the urgent cases which you say can be taken rather quickly but the waiting list remains rather formidable totally. I note the reservation that you have made here that the list has not been fully revised since 1976 but there is quite a formidable number of people waiting for accommodation, is there not?

(Mr Glover.) The degree of housing stress in Leeds now I think is far less than it has been for a long time. If you look at the waiting list of 17,000, it is broken down into four priority groups and the first three consist of people with some element of housing need in terms that I have mentioned and they number about 10,000 out of the 18,000. We get 5,000 relets a year so generally we are thinking in terms of rehousing round about 6,000 people a year. 10,000 is not a tremendous number in a city

with a housing stock of 97,000 houses.

412. As a result of the severe reduction of revenue which came about from central funds is it likely that the policy would change over selling council accommodation if you could not in fact achieve a proper building programme?

(Councillor Carter.) Not in my view, no. We are committed at the moment, as you are probably aware. Our scheme is limited to the sale of 2, 3, and 4-bedroomed houses. Obviously when the Act becomes law we shall implement the new Act. We would not seek to change that because we believe there is no evidence to suggest that people who purchase their council house would in fact have vacated those properties and therefore make them available to relet anyway and I think that is a fundamental point. We believe that tenants who have lived in a particular house for a long period of time and sometimes will have done improvements themselves, because it is not just a place to live but their own home, have a right to the chance to purchase the house and that is the over-riding consideration for the existing Leeds policy in any case.

Mr Johnson-Smith

413. What evidence have you got to back up that policy? Supposing someone could not buy a council property but would wish to own a property. Have you conducted any survey which might indicate that they might well stay where they are as a tenant or is there not any evidence to suggest that they might, faced with the fact that they cannot purchase the property in which they are living at the moment, have gone outside the council sector?

(Mr Glover.) It is very difficult to answer that specific question. If we look at the reasons for people terminating their tenancies, and we generally analyse it every year, we find that as at the 31st March 1980 543 tenants left the council sector as tenants and purchased their own home outside the council sector. Last year the figure for the same year period was 679. The year before that it was 677. The year before that it was 568 and the year before that 393. On an average the number of people who have left the council sector to buy their own house has been fairly constant and it has been mainly between 543 which is a new low this year, and a high of 679, and over that period of time from 1976 at the same time we have been selling council housing

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[Continued]

[Mr Johnson-Smith Contd.]

stock.

(Mr Iley.) In supplementing Mr Glover's answer to Mr Johnson-Smith, there is a specific case in Leeds where one estate, because of technical problems in the district heating scheme, the Council policy has not sold council houses there. It is a very desirable part of Leeds with a mix of private and public housing; it has local community facilities, shopping facilities, local sports centres, a library, schools etc. At the last Council meeting it was raised yet again. The demand is still very much there to buy those houses and we have been doing some work trying to solve the technical problems because of the tenants' urgent wish to buy. I think it has been fair to say that there has been no evidence of tenants moving to other areas because of that. That is a specific example that is still current.

Mr Marshall

414. If one considered two families in Leeds with the same basic requirements and one sought to go on to, let us say, Middleton estate and the other one sought to go on to Moortown, would I be correct in assuming that the length of time that the applicant would have to wait would be less if their first choice was Middleton rather than Moortown?

(Mr Glover.) Yes, I think you would be right.

415. If one accepts what you have already said, and here I am quoting your figures that you are selling approximately 6 per cent on Middleton, 10 per cent on Moortown, presumably the number of relets coming available on those two estates is going to be reduced, so if your programme to sell does continue would I not be right in assuming, even though the length of time an individual would have to wait would increase on both estates, it would increase far more on Moortown than it would on Middleton?

(Mr Glover.) I do not know the answer to that.

416. You have agreed with the first proposition and the second follows.

(Mr Glover.) The point is that prior to our current policy of sale —

417. Can I just go through the argument again just in case you have misunderstood the argument?

(Mr Glover.) I have understood perfectly.

418. You did agree with me that it would be easier to re-house on Middleton than on Moortown?

(Mr Glover.) Yes.

419. And the historic evidence you have presented is that the sale of council houses is greater on Moortown than on Middleton. If that is the case would I not be right in assuming the length of time one would have to wait for a house on Moortown would be greater than it would be on Middleton estate?

(Mr Glover.) I suppose, provided your premise is right and I dispute the premise on which you base your argument, that is so.

420. Is it because you dispute the premise that you say in your evidence that you do not consider that council house sales and relets are necessarily related, even though I put the two propositions to you and they seem to follow logically as far as I am concerned?

(Mr Glover.) They follow logically from the premise on which you base your argument.

421. We agreed the basic premise, that the time is shorter for Middleton than it is for Moortown?

(Mr Glover.) What I am saying is that Moortown is an estate where traditionally there have been very few vacancies. The vacancy rate has always been low on Moortown even before we embarked on the sale of houses. The turnover rate on Middleton has always been a bit higher, so, all things being equal, your prospects of obtaining a house on Middleton are obviously much better than the situation on Moortown and that position is unchanged since we have started buying houses. People buying houses on Moortown would be very unlikely to terminate their tenancies and create a vacancy. It is a little speculative but that is the position. On any estate in Leeds you care to look at it, you know what the relet rate is likely to be in terms of particular types of property and in certain types your prospects of an earlier offer of accommodation would be better. What you are saying of course is that it is related to the level of sales.

422. That is right. Could I just, on another track, briefly say that the turnover rate on Middleton is higher than it is on Moortown. Presumably this is reflected in

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[Continued]

[Mr Marshall Contd.]

requests to go on your transfer list? Have you any evidence you can give to the Committee of the desires which people express if they go on the transfer list? How many people on Middleton or Belle Isle or East Hunslet would express Moortown or other desirable estate as their first choice?

(Mr Glover.) We can certainly extract that evidence. It would mean referring to each individual application. If I were to hazard a guess I would think that there are relatively few people living south of the river in Middleton or Belle Isle who in fact want to go and live at Moortown, which is the point I was making earlier, that people have attractions for particular parts of the city and people who live in Hunslet would not necessarily want to live at Moortown although I personally would prefer to live at Moortown than Hunslet. We could certainly extract information about the number of people wanting transfer to accommodation at Moortown from any particular estate you wish to mention. If you would like me to provide that information I would certainly do so.

Mr Miscampbell

423. You were dealing with the clear demand that you say exists for Leeds and the evidence that is now available to you that there is a demand for owner-occupation. In Liverpool we have a scheme of partnerships between large builders and the council providing the land. The sales of those newly built potential owner-occupied houses are confined to the council house tenants or waiting list people. Have you given any consideration to any such scheme in Leeds?

(Mr Clarke.) It has been put to us by several of the developers to whom we have sold land. We wondered what the value of it was. They offer to confine the offer of accommodation for the first six months of any release to people on the waiting list. Our view was that if they wanted to buy they would buy in any event. We did not see it as a particularly valuable exercise.

424. It seems to me fairly favourably looked upon in Liverpool. I have not looked at it myself because I am a member for the further north but I live further south of the city. However, can I change to another area which I think we are interested in. A number of authorities have raised with us the whole problem of the sale of flats. I think I understand from the evidence you have given us so far that you say you

have not yet undertaken the sale of flats. That may not be the position after the legislation goes through. What problems do you envisage? Do you envisage special problems and have you given thought to that? May I couple the question of flats also with a query as to your previous experience which, up to a year ago of course, you were no doubt selling much more generally than you were after the Labour Government stopped free sales a year ago and confined to sitting tenants. Not only with the sale of flats which you decided not to sell, but did you have any other restrictions on the property which you were selling when you were more free to do so in the earlier years, 1974 to 1977?

(Councillor Carter.) First of all we attempted to introduce various points in the new Housing Act pertaining to sale of council properties in June but we were unable to get that through our council because, as you are probably aware, we are in a slightly delicate political position in Leeds at the moment.

Mr Marshall

425. You will be more so after Thursday!

(Councillor Carter.) Not necessarily. We are trying not to follow the example of Liverpool in certain respects.

(Mr Glover.) As a housing officer I am not particularly looking forward to the sale of flats because I think there will be difficulties. The thought of selling an odd flat in a multi-storey block fills me with concern because I anticipate that there will be problems. There will be problems about the service arrangements, the financial arrangements, and I can foresee that there may well be some perhaps loss of control if I may put it that way. At the moment, in a multi-storey block there is a degree of interdependence amongst the tenants and the general standard of behaviour has to be that much higher than if they were living in a semi-detached house. One does not know what might happen if a flat is sold and the owner thinks he does not have to conform to the normal rules which exist for regulating the conduct of people in the block for the good of the majority of the people, and I think there could be difficulties.

Mr Miscampbell

426. That is a point that has not been put to this Committee before, that you feel there may be a difference in the standard of behaviour for those who become owner-occupiers.

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[Continued]

[Mr Miscampbell Contd.]

(Mr Glover.) May I give an example? In Leeds we are fairly fortunate in the sense that the majority of our multi-storey flats consist of either one or two bedroomed flats, so generally speaking we are able to preclude families from flats. We will not be able to control that once they are being sold and yet we know from experience that the presence of young children in a flat can often cause problems, not only to the family because of lack of play facilities, but also to the neighbours who may suffer from excessive noise. The keeping of animals in flats can also be a source of nuisance. These are minor matters but from a management point of view they can cause distress to tenants.

(Mr Iley.) The council are aware — I am sure these points have been made to you in other submissions — of the difficulties of common services and access and the enforceability of covenants. We have considered this and gone to the trouble recently of circulating other large authorities in relation to estates where we had shared heating schemes, because it is all very well to have covenants which entitle you to do this, that and the other, but there is a question of knocking up tenants in the evening and reasonable notice will presumably have to be given. This does relate to the practical problems on site in a large multi-storey block of flats and we feel it could add pressures to management. We think we can maintain the standard of housing management initially but in the long term we feel there may be problems. This is somewhat speculative but I quoted the district heating situation. We have approached the Department of the Environment and as far as we are aware no other authority has so far taken the matter to the extent we have. We feel we are going to need bye-laws to hack up the question of covenants, to make effective the control of access and entry certainly on district heating scheme situations. We feel that is going to be absolutely essential because we do not see a way of being able to rely upon access etc. upon reasonable notice. We feel we have to have these additional measures if the overall management of estates is going to be kept to the same standards. I think it is fair to say we do not relish some of the prospects too happily.

Mr Winnick

427. All of us understand the points you are making but those who are opposed to sales would say in effect that what you are

arguing is that where there is a reduction in the rented sector, it will inevitably be first houses, and not flats, which are sold. Secondly, amongst the houses, it is the better houses. I know that we discussed earlier the type of areas where there has been a great amount of selling, but that seems to be the view of those who would say to you that selling does create injustice.

(Mr Glover.) The reason why we have not hitherto sold flats in Leeds is because of the point I made earlier, that they consist generally of one or two bedroomed accommodation and the greatest demand from the housing waiting list point of view is for smaller units of accommodation, despite the experience of some local authorities and we find our multi-storey flats generally are very valuable units of accommodation and they are generally speaking in quite considerable demand for elderly people. We find them extremely valuable units. All I am saying is that a sale could lead to management and legal problems.

Mr Scott

428. When the Bill becomes law you will, in terms of service charges and so on, have to operate schedule 15 of the Bill as it goes on to the statute book. Have you made a particular study of the problems that that might bring to you and tell us a bit about that?

(Mr Iley.) I am talking purely as an officer now. I was talking about schedule 15 to my colleagues the other day and my own opinion, if I may express it, is I think the Authority should be allowed to certify its own costs. We do not like the reference to independent accounts etc. We feel this is an unnecessary mechanism. We have good housing management, good housing practice. Leeds, I think it is fair to say, on a lot of the elements of the Bill has had practice for some years and I think schedule 15 as drafted is not necessary. I think we can be relied upon to fix charges at a reasonable level and I think there are legal remedies to stop us going into excessive realms if we tried to do so.

429. That is the only problem you have with schedule 15, assessing the charges?

(Mr Iley.) The practical problems of obtaining estimates and so on, again we are not happy with those provisions. I would welcome the opportunity of expanding on schedule 15. I am not entirely prepared at the moment but generally we do not like the provisions.

Mr Scott: Perhaps we could have a note

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on the problems of schedule 15 if that is possible.

*Chairman:* It would be very much appreciated if we could have a written submission on this.

Mr Sever

430. Not a million miles away along this very corridor another group of people have been talking about this very point today and I am wondering whether in very real practical terms the question of assessing service charges and maintenance costs and so on is really going to in the long term a somewhat prohibitive factor in agreeing to the sale of a flat in a multi-storey development. Surely this is going to be, in very real terms, a nightmarish problem for local authorities? Would you agree?

*(Mr Iley.)* My own professional opinion, if I could be so bold as to put it forward, is that I would tend to think that would be the fact. That is why I think that as an authority with a successful operation of a council house scheme we should be allowed to organise our own way of solving that. There are other references in the Bill to district valuers' valuations of flats. Again, I think we feel the same way, as officers, anyway, that it could inbuild a delay which is unnecessary.

*Mr Sever:* Without entering into the political argument, I think it is particularly interesting to listen to what a major authority with a substantial stock of multi-storey properties has to say on the general question and I do not seek a political comment but I think that if, for example, it is likely that only one or two properties in a multi-storey block are sold then the on-going commitment which the local authority obviously has to the rest of the tenants and the new commitment of a different nature that it will have to the incoming purchasing tenants is going to be almost unresolvable, if that is the word. I think Leeds —

*Chairman:* I think that is a comment. If you wish to comment in reply you are welcome to do so.

Mr Sever

431. I did not want to draw a political comment although it is close up to a political aspect.

*(Councillor Carter.)* I have to agree that there are going to be difficulties on the sale of flats. It is perfectly obvious for all to see. Until we have actually tackled the job to see how we can regulate it no-one can really make a hard and fast statement one way

or the other, but there is no doubt there will be difficulties.

Mr Winnick

432. On relets again, to quote the Catholic Housing Society, they have estimated that you are losing currently somewhere on average about 78 vacancies a year as a result of sales and they also, rather pessimistically, argue that the figures will increase to somewhere in the region of 175 by the beginning of 1984. Would you agree with that?

*(Mr Glover.)* Honestly I am at a loss how to answer that because I do not know on what basis for example the Society have come to these conclusions. Our own impression is that generally speaking the people who buy are people who are settled in their present home and probably have no intention of moving. If we look at the figures or relets since 1975, they have actually gone up so that from our own deliberations on this subject we can find no basis on which we could agree with the figure of 78. It could be 60. I do not know whether in fact it is to that extent at all. I really would not know.

433. You mentioned this in the papers, that relets have increased from 1975 onwards — you could not give us the previous years — but taking the fact that relets have increased from 1975 to the current year, in what areas would you say that the relets have increased or decreased? Have you any information on that?

*(Mr Glover.)* No, we have not. All I have got are the basic figures out of the total number of relets and I would not know how that is broken down into types.

434. But as Mr Marshall earlier said, there was some disagreement from you, one would imagine that in fact the fewer relets would be precisely in those areas where sales have been greatest, i.e. Moortown and Seacroft.

*(Mr Glover.)* By the same token, as I have also said, these are the very areas where traditionally the relet rate has been very low. It may well be that because of the nature of the area that people, once they have a house there, do not want to leave it.

Mr Marshall

435. You gave us earlier some figures of people moving out of the public sector to buy their own homes for the first time. Do you have that breakdown on a per-



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graphical basis?

(Mr Glover.) No.

Mr Winnick

436. But in so far as people have, certainly in Leeds and elsewhere presumably, left the public sector, would it not be right to say — correct me or disagree — that it is in those areas which are considered to be most attractive where they would have, if they were unable as a result of a different council policy to buy their own house, they would have moved out and would be far more likely to be in the areas like Moortown and Seacroft?

(Councillor Carter.) We have already given an indication of that not happening in an area where we are unable to sell property at the moment for technical reasons, in Holt Park, Cookridge, which is a very desirable area. We have been unable to sell property there for technical reasons and yet they have not moved out. Could I also make a comment on a remark Mr Winnick passed? I would like to say that at no time has the Catholic Housing Aid Society officially approached Leeds City Council for any of the information that it seems to have used in these various articles in the papers I read about our sales of council houses and therefore we obviously question the basis of the conclusions they have drawn. We can only think that they have drawn their conclusions from various different sources and from incomplete information. I think I must make that point.

Mr Winnick: In all fairness to the Society, there may be speculation over the figure of 78 units lost as a result of selling, but it does not alter the fact that the table which they have given us on sales seems to have been a correct one and that has not been contradicted by the officers in any way and I think that should be put on the record.

Mr Johnson-Smith

437. Could I come back to this question of sales of houses as opposed to flats? I quite understand that the sale of a council house is an easier transaction than the sale of a flat but this country is notorious in the leasehold system it has compared with others and we are well versed in apportioning costs when it comes to proportionate costs between one place and another. There are huge estates in London representing many sections of the community with purchasing power who, whatever they may think about the leasehold system, have very little difficulty in the apportionment of cost. Why are there difficulties that the Council seems to

face with such trepidation when it comes to the sale of flats?

(Councillor Carter.) May I make perhaps a political point first of all? I accept that there will be difficulties from my Party's point of view anyway, in Leeds. We know our officers will be well able to overcome whatever difficulties there are, and we shall expect them to do so.

(Mr Iley.) We have already prepared the necessary documentation to put that into effect. If I gave the wrong emphasis earlier, Mr Johnson-Smith, I am sorry. Take Schedule 15: the way it is drafted, I think, is unnecessary. I think it should be left to the authorities to do. The covenants to give effect to the question of access, common services, maintenance, etc, interrelationships between the remaining public tenants and the new private owners are no problem; we have done it in other places. As you know, I do not think covenants are the answer to it. In certain situations we may need other measures. I quoted the district heating scheme. I am not saying it cannot be done; it will be done and I think it will add pressures on the authority, possibly at a time of constraints on manpower resources, etc. That is the difficulty and the question of putting into practice what is shown on paper in document 4\*.

Mr Dobson

438. Back on the topic of relets, am I right in my understanding that Leeds does not sell houses, except to sitting tenants?

(Mr Glover.) Correct.

439. I do not quite understand what "relet" means because it varies from town to town. Does it include transfers as well as new relets?

(Mr Glover.) No, "relet" means when a house becomes empty.

Chairman

440. Does it include transfers?

(Mr Glover.) No, it does not. A relet arises when a tenant leaves a house. He is not given another one by the council. In other words, a house becomes available for letting. That house can be let either to somebody on the housing waiting list or to somebody from the transfer waiting list. The person to whom it is let depends upon the local strategy, if you like, at that moment. If, for example, there is an urgent case for a three bedroomed house, we may consider a transfer to create a necessary vacancy of the required type.

\*Not printed.

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[Chairman Contd.]

441. We have the table which you have kindly provided on the actual relet rate for 1975. Could you provide us with the equivalent figure for transfers over that period as well?

(Mr Glover.) Yes.

442. I think that would be very helpful to us. We had previously asked for transfer figures in respect of Moortown and Middleton, but I think it would be preferable if we could have the overall figures.

(Mr Glover.) Can I clarify how you would like us to present the figures, because in our quarterly report we indicate the number of relets and the number of transfers that have been effected. On the appendix to the questions that we answered before, I showed how the transfer waiting list is broken down into the differing classifications of need. Would it be sufficient for your purposes if I provided you with details of the transfers effected under the different heads of housing need as we provided in the quarterly report?

(Chairman.) I think that probably would be the case. May we submit this in writing? We will write to you with what additional information we require.

Mr Dobson

443. Clearly, 500 or 600-odd of the relets have come from people who have moved because they wanted to at the outset. They did not want to buy their council house. They wanted to buy another house in the private sector. As I understand it, there has been a decline this year in the number of people who have moved out. Do you think it is related to the prospect of the 50 per cent discount and do you expect therefore that there will be a reduction in the numbers of people moving out for the purposes of buying in the private sector?

(Councillor Carter.) It may be that too. Equally, it could be the lower number of private house completions last year or the high mortgage rates. It could be a number of things or a combination.

Mr Winnick

444. We have had evidence from other authorities, whatever their party, and their evidence has been more or less unanimous. Am I right in coming to the view that there is a political division of your authority and that the view which you have expressed to us — which is the view of your party which is a majority party — prevails in the council and has been opposed?

(Councillor Carter.) Yes.

445. So if there was a change of policy, leaving aside legislation presumably there would be clearly a change of policy of selling accommodation?

(Councillor Carter.) You would probably get different comments from the ones I have passed this afternoon.

Mr Sever

446. In the background material which I think is on about the fourth page of the submission reference is made to flats and multi-storey flats. I wonder if we could have a definition of what a multi-storey flat is.

(Councillor Carter.) Yes.

(Mr Glover.) The flats on the table would relate to the cottage type flat or the three story, walk up flats, as distinct from tower flats ranging from 10 to 17 storeys or 25.

447. So when we are talking about multi-storey flats we are talking about buildings which are more than how many storeys high?

(Mr Glover.) Eight.

Chairman

448. Could I ask you why you did not adopt the higher discounts that were permitted under the general consent of May 1979?

(Councillor Carter.) Yes, because I was unable to persuade sufficient people on the two opposing parties to agree to it in Leeds City Council.

449. In Appendix 3\* you have given us a comparison of rents and mortgage payments on typical properties. Taking account of rent increases in future, both inflationary rent increases and increases of rents in real terms which are likely to be encouraged, to put it no higher, by Government, and taking account of discounts which will be going up to 50 per cent, is it possible that tenants in future could be paying less in order to by than they would be paying to rent the same property?

(Mr Kitchen.) The sale price is inclusive of discounts as stated in that appendix. It is the market value less 20 per cent, so if the discounts were increased to 50 per cent the figures in the table, for example, could make the option mortgage over 25 years a figure of £10.67 which would make it £6.99 compared with the rent of £6.04. On the

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second one it would make £7.92. In the other example it would make £10.56 on the option mortgage as opposed to £8.19 on the rent. How those will vary in future will depend as much on the way valuation of house prices increases as opposed to rent increases.

450. So that within a year or so it could well be that the council is selling property for or will be receiving less in respect of—?

(Mr Kitchen.) No, we are talking there about the amount people are paying. The Council does not receive an amount on the option mortgage; the council receives the gross amount. The difference between the two is the Government's, so there is some 50 per cent gap at the moment over 25 years between that and what the council receives.

Mr Miscampbell

451. No doubt there will be on-going revaluations of the value of houses and they will be sold and the amount of mortgage

will go up, but the Chairman's remark is certainly true to the extent that if, on the figures you have given us now, which if I got them right there is not quite a pound in difference, but in other cases a pound or two, unless a miracle happens and inflation stops overnight those who buy on those prices will within the next two or three years undoubtedly be paying less than those who do not.

(Mr Kitchen.) Yes, bearing in mind that they will be responsible for their own repairs.

Mr Miscampbell: But their actual out-goings; of course they have to do their own repairs; I accept that. There may be quite a lot.

Chairman: Thank you very much indeed for coming and thank you for answering our questions. I am afraid we are going to trouble you further with written questions but we are sure that you will respond to those as you have to the questions we have put to you already and again thank you very much.

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[Continued

THURSDAY 8 MAY 1980

## Members Present:

Mr B Douglas-Mann, in the Chair

Mr G Johnson-Smith  
Mr N MiscampbellMr N Scott  
Mr D Winnick

18 February 1980

Dear Sir,

## Sale of Council Houses

The Environment Committee was set up by Order of the House of Commons on 25 June 1979, as a Select Committee to examine the expenditure, administration and policy of the Department of the Environment and its associated bodies. The Committee is currently looking into issues affecting the rented housing sector and will first take evidence on the financial and social implications of the sale of council houses. I have been asked to invite your written evidence about the effects of the sale of council houses. It is realised that the preparation of evidence of this kind is a troublesome task, but the Committee hope that you will feel able to undertake it.

While a general statement of your views would be welcome, it would be very much more valuable if your evidence could be related to the specific questions below:—

- (i) What impact has and will the sale of council houses have on the local authority housing service and on those households unable to buy their dwelling?
- (ii) What impact will there be on the housing market as a whole and on questions of mobility and choice in housing?
- (iii) What impact will there be on the financing of housing and on future levels of expenditure investment and in housing?
- (iv) What evidence do you have concerning the affect of council house sales and what are the implications of this evidence for the future?
- (v) Do you consider that there are particular consequences of the sale of council houses for particular groups of households (e.g. those with low incomes, the elderly, racial minorities, single parent families)?

I have also written to a selected number of local housing authorities, to the Department of the Environment and to credit institutions on the issues affecting this enquiry. I am enclosing copies of these questionnaires also in the hope that you may feel able to answer some of these questions as well.

When the Committee has considered the written evidence, it will invite a number of local authorities and other organisations to give oral evidence. If you would be willing to give oral evidence I would be grateful if you could indicate this when replying.

Although it is realised that the time available for preparing replies is short, it is very important that the Committee should complete its enquiries quickly, and it is hoped that you will be able to reply by 17 March.

*Clerk to the Committee*

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[Continued]

## EVIDENCE TO THE HOUSE OF COMMONS SELECT COMMITTEE ON THE ENVIRONMENT

by Bernard Kilroy

### Introduction

I concentrate on the financial and economic implications. Other things being equal I can see some social merit in sales. However, sales on the financial terms proposed will cause a leakage of productive capital into consumption with general inflationary effects. The opportunity will be lost of recycling the national asset value of council housing built up over the last 60 years. This is needed to assist the renewal of the existing housing stock, both rented and owned — especially which there is so much pressure on our financial and economic resources.

### I. Local Authority Housing Service

*Question:* What impact has and will the sale of council houses have on the local authority housing service and on those unable to buy their dwelling?

### REPLY

1. There is an important *financial* corollary to the social terms in which the impact of sales is generally viewed, such as that sales "cream off" the best houses with gardens, so restricting the quality of housing available to prospective tenants or existing tenants requiring a transfer.

2. The stock is so composed that there will be a tendency for the middle vintage houses to be sold — with eventually more serious effects on each authority's financial pooling. In the short term the financial gains from selling such houses will be correspondingly bigger because of the bigger "profit" of selling at market value houses whose historic debt has shrunk to a low nominal sum.

3. Half of all local authority dwellings in England and Wales (even excluding New Towns) are 3 bedroom dwellings. Of these 90 per cent are houses. Most of the houses, ie 91 per cent, were completed before 1964 and thus will carry a low historic debt. Of these a slightly higher proportion were completed since the war (of all 3 bedroom houses 35 per cent were completed before 1945, 46 per cent between 1945 and 1964 and the remaining 19 per cent since). In all likelihood the post-war houses will also have lower maintenance costs and need less improvement or major renewal of worn-out components.

4. If sales are concentrated on 3 bedroom houses, particularly the post-war houses, the financial effect on each authority's portfolio will be more significant than the absolute numbers would first suggest. On the dwellings remaining available for rent, the average outstanding debt to be serviced and the average costs of management and maintenance are all likely to rise.

5. As a result the average deficit on houses and flats remaining in letting to be met by both local and central government (from the ratepayer and taxpayer) will eventually increase. In some case the increased costs will be borne by tenants in their capacity as rentpayers as well as in their capacity as ratepayers and taxpayers.

6. In these circumstances the local authority housing service cannot but become more dependent on central government with corresponding loss of autonomy. There will be pressure towards greater selectivity in the category of households "eligible" for housing because of the "burden" of higher Exchequer subsidies and contributions from local rates. Selectivity will also exclude many households who are marginal buyers in the market. They will be both unable to rent reasonable quality accommodation from public authorities as well as unable to buy, often because of family commitments.

7. The likelihood of rising expectations in future would clash with a falling ability of authorities to satisfy their traditional clientele. At the same time authorities will be less

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[Continued

able to cater for the new needs of the housing market (dealt with in sections II and V below).

8. Why rising housing expectations? Notwithstanding the temporary pause in economic growth, real incomes are likely to continue to rise for the next decade or two at a rate not far removed from the 2½ per cent a year by which they have risen on average since the war. On the evidence, housing demand will increase by at least two-thirds as much, possibly more. Thus a 30 per cent increase in real incomes over a decade would cause housing demand to increase by a least 20 per cent.

9. If this increased demand was expressed in space terms only, a household occupying a 5 room house would expect one extra room. However, increased demand is likely to be expressed less in traditional terms of space and basic amenities and more, to judge from the new phenomenon of "difficult-to-let", in less defined characteristics such as estate environment, gardens, neighbourhood facilities — which post-war high density housing drives were often forced to overlook.

10. True, average real incomes of local authority tenants may not rise quite as fast as the general average if there were a greater incidence of unemployment among tenants, because of the distribution of ages and skills. However, that lower average would consist of a wider differential between lower and higher income tenants. So pressures would not lessen and, in any case, the expectations of council tenants are probably influenced by the majority trend of better off owner-occupiers. So expectations could rise faster than the crude income figure would suggest.

## II. Housing Market as a Whole

*Question:* What impact will there be on the housing market as a whole and on questions of mobility and choice in housing?

### REPLY

11. This section naturally follows from the implications described in the previous section. If sales of council houses create a gap in the supply of houses for the "in-betweens" households on the borders of renting and buying, it is likely that the shortage would drive up the price of houses, especially at the lower end of the market. If high interest rates continue, this would combine with abnormally expensive mortgages in the early years of a household's purchase (because of the "front-loading" effects which high interest rates cause).

12. House prices have risen considerably faster than other prices ever since the war, generally in line with incomes. However, it may be that in future they could rise faster than incomes — such is the unique investment attraction and the capitalised effect of tax concessions. As yet it is too early to say. Until now excess demand for housing has been able to reach down to a reservoir of cheap housing transferred from the private rented sector: 37 per cent of owner-occupied homes standing in 1975 had originally been rented. That source is now dwindling\* and therefore the temporarily dampening effect on house prices would lessen.

13. The shortage of houses to rent or to buy for the in-between households must surely restrict the geographical mobility of skilled workers with family commitments. Perhaps they will make do with the less than adequate "starter homes" which private enterprise may provide, even though they are not "starter households".

14. Life-cycle mobility will undoubtedly become as important a need as geographical mobility. In the past, local authorities have concentrated on family housing. In future, they will need increasingly to cater for households at both the beginning and the end of their housing lives when readier access or management support is needed. Young house-

\*An argument, incidentally, for selling the poorest council houses and flats, not the best.

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[Continued]

holds can no longer rely on the supply of private rented housing. Ageing owner-occupier households — the numbers are growing every year as the earlier bulges age — will require management and maintenance services from the local authority even though they retain the equity of their houses and so perhaps reduce the need for more expensive social support. As Section III describes below, the national House Condition Surveys have begun to reveal a serious growth in disrepair, particularly of the houses of elderly owner-occupiers and "non-standard households". Local authorities will need balanced portfolios to deal more comprehensively with the needs of this wider market within their districts. Sales will unbalance portfolios, especially in financial terms.

### III. Financing Expenditure, Investment and Costs

*Question:* What impact will there be on the financing of housing and on future levels of expenditure, investment and costs in housing?

#### REPLY

15. The following remarks can do no more than touch on implications which are not yet generally understood. It is only comparatively recently that an appreciation has grown of the important flows of resources and funds between the various sectors of the economy (public, personal, company) as a result of the distortions in the present system of housing finance. Council house sales in any number must send shock waves through the economy. An annual target of 250,000 per year has been aired. Even 100,000 would be as many as one eighth of the number of all houses which are bought and sold in the UK every year.

#### Financing

16. It can be assumed that efforts will be made to encourage building societies to lend to tenant purchasers in order that housing authorities and the Exchequer benefit from the immediate cash receipts and so enable the public sector borrowing requirement (PSBR) to be reduced. However, if the target of 250,000 sales per year were attained, building societies would have to increase their net receipts by over a quarter, or the equivalent of three months' inflow. The calculation can be made according to the figures assumed in the DOE *Appraisal* where an average market price of £14,000 in 1980 is assumed. Net of 40 per cent average discount of £5,600, this leaves £8,400 to be found. A cash deposit of some 30 per cent of the discounted price, or some £2,500, would leave some £5,900 to be funded by societies on each of the 250,000 houses = £1,475 million as against a net annual increase in balances of between £5 and £6 billion. In addition, it must be borne in mind that a substantial proportion of the 30 per cent deposits of £2,500 each or £625 million will have been held in building society accounts and this will have to be withdrawn by tenant purchasers for payment to housing authorities. Smaller annual rates of sale, say, 100,000 would still require substantial funds.

17. In order to maintain the level of funds for their traditional lending (lessened slightly if fewer council tenants buy in the open market), building societies would have to increase further the competitive edge (normally of some 1½ to 2 percentage points) which they have over other deposit institutions in the higher deposit rates they can offer. As a result they would presumably raise mortgage rates charged to ordinary house buyers (unless council tenant purchasers alone were charged more).

18. This unexpected increase in the demand for funds must be added to a demand that has already been increasing by spectacular proportions. It is commonly believed that since house purchase funds are re-cycled, a net increase in demand is required only to finance a net increase in the number of owner-occupiers. But the steady real increase in house values has ensured that, as houses are continuously and more frequently remortgaged, there is a net increase in the private "housing sector borrowing requirement" (HSBR). Over the last two decades, the net annual increase in all loans for house purchase has quadrupled as a proportion of gross domestic product. This could not have been accommodated without the unexpected tripling of the savings ratio as a proportion of GDP.\* (See Figure 1.)

\*Illustrated in my article in *Lloyds Bank Review*, July 1979 pages 39 and 40.

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[Continued]

19. By 1978 the private HSBK was two thirds as big as the entire net public sector borrowing requirement (PSBR) itself. In the next decade the Department of the Environment's housing review estimated that even with only a modest increase in house values, and not counting fresh increases in demand, the annual volume of finance for building societies' house purchase transactions, only a seventh of which is for new houses, would have to increase by some 50 per cent in real terms — at 1976 prices from the £4.3 billion or so additional funds required in 1976 to some £6.4 billion additional funds in 1986. (See figure 2.)

20. The private HSBK for all agencies totalled some £5.4 billions in 1978. After adding the net funds for rented housing by local authorities and housing associations of some £2 billions and £0.5 billions respectively, the total HSBK was some £8 billions at current prices.

21. However, in its borrowing requirement, public rented housing is less demanding because debt increases only when fresh investment in new building or renovation takes place. The number of tenancies increased by some 20 per cent over the last decade as did the number of owner-occupiers. But the outstanding debt on all local authority housing only trebled, whereas that on owner-occupied housing quadrupled. Other projections indicate that, as councils' building programmes are due to decline, their outstanding debt will stop increasing in real terms. From the point of view of funding, sales of council houses are therefore expensive.

22. The volume of available funds to finance the HSBK is finite and can increase only temporarily with a high savings ratio (the so far unpredictable response to inflation) or, more permanently, with the real growth of the economy, which itself requires investment funds. Within the building society movement there are already doubts about how the housing market can be financed in the 1980s on existing terms. Five (smaller and poorer) savers are now required to finance the average mortgage as against 1.8 in 1960. The last Government's housing review proposed that another financial intermediary should be set up to attract wholesale funds on more favourable terms — but inevitably from elsewhere.

23. The effect on the economy is more significant than is the case with the sale of other public assets, such as BP shares, where it is now appreciated that the capital market as a whole is unaffected by a simple transfer and that the apparent benefit of a reduced PSBR is something of an illusion. For in the case of sales of council houses, the discount creates an important difference for the three parties involved.

24. First, the public sector has forfeited, say, 40 per cent of the value of its asset, which it would otherwise have received in cash if sales took place without discounts or over time in rents. Therefore the PSBR is only reduced by 60 per cent of the value of the house and the remaining 40 per cent still has to be raised in later years; the liability does not evaporate.

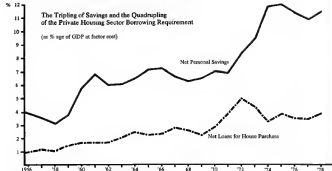
25. Second, building societies must increase their receipts by the value of the mortgage advanced and by some of the value of the savings withdrawn by tenant purchasers from their building society accounts.

26. Third, in time the tenant purchaser enjoys the benefit of the difference between what he would have paid in rent and the mortgage which is fixed in nominal terms according to the lower price net of discount. The discount which the PSBR must eventually fund is the tenant's eventual gain. This sum has to be funded by the capital market but a proportion of it will undoubtedly be used by the tenant purchaser for consumption. That "leakage" of borrowing funds into consumption is important. It will be additional to the considerable leakage which already occurs in the housing market when, for instance, exchange buyers take out a fresh mortgage and spend on consumption some of the proceeds from the sale of their previous house.

27. If instead of staying put the original tenant purchaser sells his house after, say, five years the effect is the same but capitalised into a single year. Additional funds of between £nil and £5,600 per house will be needed since the succeeding purchaser will need to fund



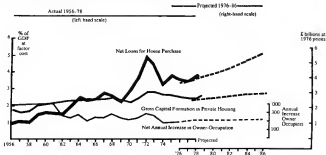
**Figure 1 The Housing Sector Borrowing Requirement**



*Notes:* Not personal savings are total personal disposable income less consumers' expenditure. Not loans for house purchase are by all agencies — building societies, local authorities, banks and insurance companies.

*Sources:* Economic Trends, Financial Statistics (Central Statistical Office)  
Reproduced from Lloyd's Bank Review July 1979

**Figure 2** Increase in Private Housing Sector Borrowing Requirement without Increases in Housing Production or in growth of Owner-Occupation (UK)



Sources: Actual housing output is derived from DOE Housing & Construction Statistics, reported, Table 3. Two series measures activity, one series work are included in the CBO methodology to derive a measure of projected housing output.

Reproduced from Lloyd's Bank Review July 1979

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[Continued]

the market value of the house (£14,000), whereas the original purchase needed only the value net of discount — £8,400 leaving aside the effect of cash deposits. If the original purchaser were to save (with a building society) the value of the discount he now receives in full when he sells his house, £nil additional funds would be needed. However, some "leakage" is probable since he is likely to behave like most exchange purchasers and spend on consumption some proportion of his proceeds.

28. Both the additional demand for funds and their leakages into consumption must be understood in conjunction with anxieties expressed in the *Stow Report* 1979 by the Building Societies Association (BSA) about the competition for funds. Unfortunately, the issue is clouded since in the same (January 1980) issue of the BSA's quarterly Bulletin in which the societies reproduce the findings of the *Stow Report*, the BSA also criticises my fears about the growth of the private housing sector borrowing requirement (see paragraphs 18-22 above). The BSA quotes from my article and implies there are no grounds for concern by suggesting: "... that there is no direct connection between the level of activity in the housing market and the volume of personal saving and that mortgage lending by building societies does not necessarily 'absorb' personal saving that might otherwise be available to finance more productive investment." Alas, the problem cannot be so easily shelved.

#### Public Expenditure

29. In current expenditure, sales of council houses leave the Exchequer with a new liability it did not have before: the revenue foregone in mortgage tax relief, as well as an addition to the value of other tax concessions to home owners. The relief liability is perpetual since it is renewed each time the sold house changes hands and is remortgaged — a phenomenon which is incontestable even though, in the light of evidence about the smaller inclination of tenant purchasers to move house, some commentators, including myself in my article in *Roof*, May 1977, have exaggerated the frequency\*. On the other hand the sales campaign will undoubtedly draw attention to the investment potential which can be realised on resale; if so transactions might well become more frequent.

30. The cost of such tax concessions to home owners is not always acknowledged because it has not been Treasury convention to classify such tax expenditures as public expenditure, though option mortgage subsidies and child benefits have now made calculations which exclude them increasingly spurious. Hence tax expenditures were listed in the public expenditure White Paper of January 1979†. The "hidden welfare" which they constitute clouds any discussion of the costs and benefits of an operation of the scale of council house sales.

31. In addition if building societies' mortgages became dearer as a result of efforts to attract additional funds (see para. 17 above), this would increase the revenue foregone in mortgage tax relief by the Exchequer. If greater differential rates were introduced so that big mortgages were charged far more than the small differentials of now, the Exchequer would lose even more because big mortgages would be more commonly taken out by taxpayers taxed above the standard rate.

32. Exchequer liability in capital expenditure, the value of the discount (ie replacement value minus cash receipts) has already been referred to under para. 24 above.

#### Investment

33. It is sometimes claimed that the net investment effect of sales is nil since only a simple transfer between tenures will have happened. However there is an investment effect which arises through the different occupancy rates in the two tenures. It will depend on the extent to which houses sold will in time take on the lower average occupancy rates of owner-occupied houses. Had the sold houses remained in renting, it can be assumed that eventually (though after what interval needs calculation) they would be occupied at the higher average room density of local authority housing. Depending on the age

\*Nevertheless, the logic in para. 14 of the Annex to the DOE's appraisal is not clear.

†Table 16, Cmnd. 7439. Also Table 5.13 of Cmnd. 7841, 1980.

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[Continued]

structure of the household, local authority houses have rates of occupancy of between 25 and 40 per cent denser than the average for owner-occupiers — as the table shows. However, it may be assumed that the eventual occupancy rates of the houses sold will not drop as low as the average for all owner-occupiers.

Average Persons per Room			England & Wales
Head of Household	Owner-Occupiers	Local Authority/ New Town Tenants	Ratio
Under 25 years of age	0.52	0.73	1.40
25 – 34	0.65	0.88	1.35
35 – 44	0.71	0.92	1.30
45 – 54	0.59	0.74	1.25
55 – 64	0.44	0.57	1.30
65 and over	0.36	0.48	1.33

Source: Table II.18 DOE *Housing Policy Review*, Technical Volume I using unpublished data from Census 1971.

34. The eventual effect of sales would therefore be to increase the real demand which the housing sector makes on the economy. Against the housing requirements of the last two decades of this century the excess in real housing demand should not be overlooked. This issue has been confused by the contention from both the political Left and Right that the real resources absorbed by the housing sector cannot be excessive since capital formation in housing takes proportionately less in Britain than in most other major economies.<sup>1</sup> So the Building Societies Association has argued forcibly in its evidence to the Wilson Committee<sup>2</sup>. My reply is summarised as follows<sup>3</sup>.

35. By itself, however, the proportion of GDP tells us little. It is its composition which matters. There should be less need for Britain to devote so much to new housing investment. For our urbanization took place earlier than that of our industrial counterparts. Only the North Americans are as well housed as ourselves, according to housing space or amenities<sup>4</sup>. Yet our economy has been growing at half the rate of our West European neighbours. Given the age of our housing stock, it is crucial that the share of investment absorbed by *net increases* to the stock, for the sake of new households and rising standards, should not be to the detriment of the first priority of *renewing the existing stock*. As argued later, we invest too little in renewal, not realizing that we are over-housing ourselves because, by international standards, the proportion of GDP spent on housing is comparatively low.

36. Even without making good the under-investment in renewal, the range of official investment projections looks problematical. It is based on existing trends of population and only a slight rise in quality. Yet by 1986, the higher of two projections shows a value in total housing output equivalent to the 1972/73 peak when the construction industry became overheated<sup>5</sup>. Since then the industry has contracted and the trend away from redevelopment to renovation is proving labour intensive. By 1986, other sectors of the economy should be expanding their demand for construction resources if some regeneration of our industrial and energy base is achieved. To avoid a clash would require substantial increases in productivity.

37. An annual investment programme in the basic renewal priorities of maintenance, improvement and replacement of our existing housing stock in all tenures should probably have absorbed, not the £2.5 billion it did absorb but, some £4.2 billion at 1977 prices in that year, ie already three-quarters of £5.5 billion annual total output. The balance of

<sup>1</sup>See Figure 3.

<sup>2</sup>Chapter V; See also page 15 of BSA *Bulletin*, January 1980.

<sup>3</sup>See pages 44–50 of *Lloyds Bank Review*, July 1979 for the full argument illustrated.

<sup>4</sup>DOE *Housing Policy Review*, Cmnd. 6851, Annex B Table 1(a).

<sup>5</sup>DOE *Housing Policy Review*, Technical Volume I, Table III.30.

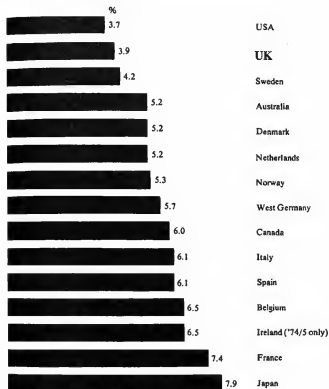
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[Continued]

## Figure 3

## By International Standards UK Investment in Housing is Low

(Gross Domestic Fixed Capital Formation in housing as a %age of GDP at market prices — average of 1974/5/6).



Sources: UN Annual Bulletin of Housing & Building Statistics for Europe, 1977, Table 2, and OECD National Accounts 1976, Vol II, Table I.

Note: The differences are not strictly comparable and the measure for the UK differs from: i) the CSO measure used in this article (which includes more improvement and repair work and is expressed as a percentage of GDP at factor cost). This averaged 4.4 per cent for 1974/5/6 and was 3.7 per cent in 1977.

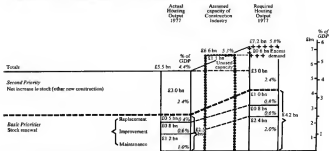
ii) the output measure used later in this article, which also includes maintenance work.

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# Figure 4 The Required Housing Product

Achievement against Requirements 1977 (private and public sectors as current prices)



Source: Actual housing output is derived from DOE Housing & Construction Statistics, especially Table 5. The output measure includes maintenance work not included in the GDP, present value of work.

Estimated from Lloyd's Bank Review July 1988

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[Continued]

£1.3 billion or, assuming a margin of 20 per cent under-capacity, £2.4 billion would be available for net increase in stock to accommodate new household formation and rising housing standards. Yet some £3 billion output was absorbed by these demands which were evidently able to exercise prior claim.

38. Reconstructed in this fashion, the "required housing product" (RHP)\* of £4.2 + 3 = £7.2 billion would have been equivalent to 5.8 per cent of GDP or 30 per cent higher than at present and as high as many Western European countries with less developed housing and more efficient economies. By the year 2000, such is the renewal requirement for the one in four of all the nation's dwellings still standing and built between 1875 and 1919, the RHP will be easily 50 per cent more. In those circumstances the conflicting demands must be resolved. Council house sales on any large scale will intensify the conflict by increasing the quantity of under-used housing which will then have to be made good by further investment when resources are already stretched.

#### Costs

39. Against the shortages created in the housing market referred to earlier in Section II, there will be in the initial period after sales an offsetting deflation of demand from tenant purchasers who would otherwise have bought dearer houses without discounts in the open market. To that extent sales of council houses will have some of the dampening effect on prices which houses transferred from private renting have caused in the past (see para. 12 above) — often themselves purchased cheaply by sitting tenants or leaseholders.

40. Once the original purchasers or their heirs come to move house, however, there is no reason to believe that the prices at which their houses are exchanged will be any less than the full going rate in the market. Therefore the benefit of the discount will have been used to increase the purchasing power of the original purchasers or their heirs; the discount will be capitalised with a similar inflationary effect on house prices as tax reliefs have at present. Access to owner-occupation will still remain high with the rewards of a national policy of cheap housing consumption coming later in life when earnings are higher.

#### IV. Evidence of Effects of Sales

*Question:* What evidence do you have concerning the effects of council house sales and what are the implications of this evidence for the future?

#### REPLY

41. My evidence attached† consists of already published material in three parts:

##### (a) *Sales of Council Houses — Financial Implications*

- (i) Extract from my Chapter 8 Housing Finance in *Guide to Housing* ed. by Mary E H Smith, Housing Centre Trust 1977, pages 241–243 outlining the financial pros and cons in general.
- (ii) Article entitled "No Jackpot from Council House Sales" from *Roof* (Shelter's housing magazine) May 1977, pages 74–80, being a case study of sales in Leeds.

##### (b) *Equity Sharing — Financial Implications*

- (i) Extract from *Guide to Housing* as above, pages 239–241 outlining the financial pros and cons in general.
- (ii) Article entitled "Equity Sharing in Cheshunt" from *Roof*, November 1976, pages 169 foot–170 being a case study of a Greater London Council scheme.

##### (c) *Summary/Analysis of Department of Environment Papers* entitled "From Roughly Right to Precisely Wrong" in *Roof*, January 1980, pages 16–17.

#### *Leeds and Cheshunt examples*

42. These two brief studies are some of the earliest, if not the earliest, analyses of the

\*See Figure 4.

†Not printed.

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[Continued]

effects of council houses sales. Later analysis, including by the Department of Environment, has followed the same broad pattern.

43. However, their purpose is not, and the purpose of any analysis of this kind should never be, to *predict* what *will* happen and to prove whether or not sales are profitable. My intention was simply to expose the crude basis on which so much discussion had taken place by showing:

- (a) that three different interests are involved (tenant purchaser, housing authority representing the ratepayer and other tenants, Exchequer representing the taxpayer) and are affected at different times and in different ways;
- (b) that any claim that sales are a financial bonanza for all three parties can only be held by looking at the financial effects in the first year; a longer view makes such claims evaporate.

44. My analysis set out not so much to prove that selling houses make losses but that sales do not produce profits. By and large I am satisfied that my analyses are still valid (although because the issue was novel I consciously simplified some factors such as by using the inflation rate, not the interest rate, as the basis for calculating the present value of future sums).

#### DOE Analyses

45. Alas, most attention has again focused on the *predictive* value of the Department's analyses, ie whether sales will prove to be profitable. Instead, it should have focused, as with any investment appraisal, on the sensitivity of the outcome to changes in the assumptions and therefore what *decisions* are called for. Commercial investment appraisals carried out on the same principle are not intended to "crystal-ball gaze" about whether a product will be profitable but to clarify *decisions* to be made about rates of production and the price at which products should be sold, etc.

46. It is not very useful for the DOE's analyses of sales to display a range of *possibilities* about the extent to which rent income may or may not maintain its value against costs in future years when what was needed was a balance of probability once essential decisions had been determined.

47. The second DOE appraisal distracted attention through a variety of anomalies such as:

- (a) by ignoring the commitment of Governments of both Parties to raise nominal rents in line with earnings, explicit under the previous Administration's Housing Bill and implicit under the present Administration's Bill.
- (b) by implying virtually impossible prospects could be seriously entertained such as that rents could fall in real terms from £8 to £2.62 per week in 50 years' time while management and maintenance costs rose from £2.34 now to £5.25. A previous paper from the Chartered Institute of Public Finance and Accountancy has implied a similar prospect under one of its three ranges of future trends.
- (c) by uneven treatment in analysing assumptions such as its sophistication over interest rate relationships but crudity elsewhere such as the use of average rents for all dwellings rather than of those categories (post-war houses) most likely to be sold.

48. Indeed the following absurd inference could be drawn from the DOE's analysis. An average council house cost £346 to build in 1929. It could be implied that it would have been financially more sensible to sell it immediately at a price discounted by 40 per cent to £208, even though council houses have been taking only between 20 and 30 years to recover their full outlay costs from net rent income\*. Yet most councils have 1929 houses (some renovated, some not) which are still alive and kicking — being rented and sold. Hence my suggestion that it is "better to be roughly right than precisely wrong".

49. All the more reason it is for data on houses sold to be accurately recorded. What I have heard or seen of records of houses sold by the Greater London Council and the

\*Housing Policy Review, Technical Volume I, Table IV, 19.



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[Continued]

Cities of Birmingham and Nottingham suggests that in future it will be very difficult accurately to test the validity of the arguments for and against sales.

### *Maximising our National Housing Asset*

50. An alternative starting point quite the reverse of the preoccupation with *predictions* is preferable. Council housing is a national asset perhaps comparable in value to a decade's worth of North Sea oil. Prudent husbandry of that asset requires a broad balance to be maintained between the interests of the tenant and the rest of the community, *either* in selling at the best price as is the practice with all public assets *or* in letting at a fair balance between tenant and ratepayer/taxpayer. In such circumstances it follows:

- (a) that selling at discounts based on length of tenancy for which there is no valuation precedent is not appropriate *and*
- (b) that, taking one year with another, there is no justification for allowing net rent increases to fall below inflation in costs.

51. On such assumptions there is no doubt whatsoever that it does not pay to sell at cut prices. Indeed the value of the loss over time, when capitalised as a lump sum, is likely to be not far removed from the size of the discount — variations probably being attributable to vagaries of the selling market such as the tendency for older houses to be over-valued.

52. The equation between the investment value of a house when let and its sale price used to be a standard principle of valuation. Indeed the net rent paid by the tenant is surely, by definition, the rent of the money borrowed to fund the asset, ie the real rate of interest or the nominal rate minus the rate of inflation. The equation has been lost for two reasons:

- (a) the housing market is dominated by sales for owner-occupation, not letting. Houses are therefore no longer thought of as assets producing a stream of imputed income and in which owner-occupiers invest their savings as an alternative to other investments — especially since the abolition of Schedule A taxation severed the taxable link. A "rate of return" from housing has therefore become more and more of a theoretical concept;
- (b) rents are more commonly thought of in terms of equitable proportions of income rather than a method of recouping costs;
- (c) inflation has upset the constant relationship between cost and rent since, under high rates of loan interest, individual houses incur big deficits in the early years and produce big surpluses in later years.

53. Were the equation to be re-established, it would be in the interests of both local and central government to resist selling at discounts *and* to ensure realistic rents when continuing to let. Such a régime would make selling at discounts unrealistic.

54. Admittedly, both decisions have become politicised. However, advocates of sales at discounts are normally those who, in other circumstances, preach that there is no such thing as "a free lunch". Similarly, opponents of sales can be warned that if rents were allowed to fall in real terms, over time such extensive losses in council housing would be created that its continuation could be justified only with a narrower "welfare housing" role.

### **V. Vulnerable Groups**

*Question:* Do you consider that there are particular consequences of the sale of council houses for particular groups of households (eg those with low incomes, the elderly, racial minorities, single parent families)?

### **REPLY**

55. Under this heading I would return to theme of Section I, the extent to which council house sales will make it more difficult for authorities to develop a wider housing service. Renewal policies will be hindered, so affecting the most vulnerable social groups in houses in poor condition.

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Mr B KILROY

[Continued]

[Mr Scott Contd.]

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Chairman

457. I think that is a fair summary. Does it conflict with what Mr Kilroy has already said?

(Mr Kilroy.) I have not any information about the types of houses that are sold. My conclusions are simply on the financial aspects on certain assumptions; for instance, that if dwellings are sold they will tend to be houses. I have taken that from other evidence and I have built upon it. Mind you, I think one has got to make this distinction between what you call "better houses" and the rest. One has also got to look at their financial position on the books. It may be that for instance more modern houses, because of the lettings procedures, are lived in by families who are not quite so well established. One might find that there is a correlation between, for instance, houses with a lower historic debt and, shall we say, the middle-aged family who has two or three earners and is more likely to buy, as I believe is the case in the Murie study on Birmingham.

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458. I would like to ask whether you agree that on the whole, and including what has happened in Leeds, it is rather more the area which is the decisive factor than the type of house? We all seem to agree. I do not think there is much disagreement that it is houses and not flats which are sold and that that is likely to continue to be the position once the Bill becomes an Act of Parliament. Would you not agree that, first,

it is far more important in practice where the house is located? In other words, it is the area which is decisive? This seems to be the case in Leeds where the inner city areas certainly from the evidence produced to us from the Catholic Housing Society would seem to indicate that less accommodation was being sold in the inner city areas. Secondly, I would like to ask you this. Is there not a possibility that the houses which were being sold at discounts and the rest would be the older houses in certain areas, not inner city areas, which perhaps were bought before the war but have been modernised and would be considered a rather good buy? What would be the financial implications there?

(Mr Kilroy.) I do not want to seem unco-operative and I am not suggesting that these questions are not important, but in my evidence I did not make any assertions about the likelihood of this or that house being sold. What I built on was the premise that houses would be sold and therefore certain financial effects would follow. If this is not the case I have not the data in order to answer these questions, because I do not collect it.

Mr Scott

459. In paragraph 3 you say that in all likelihood post-war houses will have lower maintenance costs. Have you any data for that, because certainly there have been suggestions that the houses built in the 1960s and early 1970s are actually more expensive to maintain than pre-war houses now. Have you got contradictory data for that?

(Mr Kilroy.) I would have thought that the dwellings built in the 1960s would have had higher maintenance costs, and those would tend to be flats. I honestly would suggest that you should be very chary of accepting evidence about maintenance costs because whenever I have looked at maintenance costs for council houses I have found that it is extremely unreliable. I know there is a lot collected by CIPFA but, as I say, it does not seem to be consistent. I know that is the case in a number of authorities where I have looked at the figures myself or asked colleagues.

(Mr Scott.) Can we go on to paragraph 5 where you talk about tenants feeling the effect of higher average maintenance costs in the rents that they pay? Have you, in assuming that, offset the income from sales and interests that would be generated by the capital that is received when property is sold?

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[Continued]

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(Mr Kilroy.) Yes, but in the early years there will be a net surplus. What I am suggesting, as I suggested in my original "Roof" article of May 1977, was that there would in the course of time be a cross-over point at which losses started to exceed gains.

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(Mr Kilroy.) Yes, of course.

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leadership, is likely to see that its rents in future rise in line with the general rate of inflation?

(Mr Kilroy.) I think it is fair to say that both the previous Government and the present Government did commit themselves to keeping rents in line, broadly speaking, with earnings. The previous Government made this an explicit commitment in its Bill, and the present Government has done no less, although the wording is slightly more vague.

Mr Johnson-Smith

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(Mr Kilroy.) Perhaps I could interrupt and say that that may be, when you are looking, for instance, at the experience of the last 5 years. As far as I am aware, looking at the experience of the last 30 years, say, since the war, rents have, broadly speaking, kept in line with earnings. It may also be that you have been looking at gross earnings. I think I am right in saying that between 1974 and 1977 real net disposable income after tax did not rise in real terms. I know that there were all sorts of pressures on rent levels at that time, but such a trend would, in many respects, justify some sort of holding, in real terms, of rents. Of course, from 1978 real net disposable income after tax went up very fast, and then the situation changed. These are very important distinctions. If I may say so, I think this is a distinction which was not made in the DOE paper.

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[Continued]

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Mr B KILROY

[Continued]

[Mr Winnick Contd.]

"rents", of course, I understand by that net rents after taking account of management and maintenance costs which are legitimately chargeable to tenants. Again, I do add this point (I hope I am not labouring it) that it is a matter of decision, and to suggest that it is a matter which we, as it were, leave to chance and simply investigate and crystal-ball-gaze about, I think is entirely wrong. The rents clearly will depend on all sorts of other costs. They will depend on the "rent" of money (namely, the real rate of interest of borrowing money). Again, this is a distinction I made in my paper. There is a tendency for the movement of interest rates, the movement of rents and the movement of earnings to move in unison (though obviously not perfectly in unison).

468. I do not know if this is straying from the point, but would not the fact that rents are likely to rise, as far as one could take the position to date, beyond the rate of inflation, be a point which could possibly be a factor as far as tenants are concerned? If they believe that rents are going to rise continuously and by a larger amount than previously, beyond the rate of inflation and earnings, will not that be a factor in their minds when they have to decide whether to buy or not?

(Mr Kilroy.) Yes, I am sure it will. Experience seems to have borne that out over the last decade. There seems to be a connection between the movement of local authority tenants into owner occupation, which seems to correlate with rises in rents. One would expect that to carry on. Indeed, one would expect it to be enhanced, because the Bill, with all the discussion and publicity that it is getting, is drawing attention to the investment potential from council house sales. I would have thought that people will be much more money conscious that to buy makes sense.

469. It makes sense perhaps for a government to say that, if it wishes to encourage people to buy their council homes, forcing up rents or encouraging rents to go up by a pretty substantial amount is a factor in their — that is, the government's calculations?

(Mr Kilroy.) I cannot comment on that.

(Mr Winnick.) Perhaps that is more a question for the Secretary of State.

Mr Johnson-Smith

470. Still on this point, in paragraph 4,

referring to what you believe to be the case — namely, that sales would be likely to be concentrated on three-bedroomed houses, particularly in post-war houses — you then go on to say that the average outstanding debt to be serviced on the remaining dwellings available for rent and the average costs of management and maintenance are all likely to rise. I think that a number of people would accept that. However, presumably the older houses have less outstanding debt, because they have their debt serviced for a longer period of time. Whether or not they have an average cost of management and maintenance I know has been disputed, but certainly the debt would be less, because there is less outstanding, is there not?

(Mr Kilroy.) Yes.

Chairman

471. The debt would be less on the older houses?

(Mr Kilroy.) Yes.

Mr Johnson-Smith

472. If the debt is less on the older houses, this is less of a burden on the local ratepayer and less of a burden on the local authority's finances. That, therefore, would have an effect of not encouraging the local authority to put up the rents; it is not asking those remaining as rented tenants to have to pay more, or asking the ratepayers to pay more. As for the average costs of management, surely with less property there would be less need for such high overheads of management? There would be a smaller pool (but very marginally smaller pool) of property left in the council's ownership. Therefore, if that is the case and the debt is less, I do not really see why the tenants who are left should have to pay more because their colleagues have purchased homes which were previously in the ownership of the council.

(Mr Kilroy.) There are about three points there. I think the point has been made in the DOE paper — and quite correctly — that management and maintenance costs will not go down in proportion to sales, simply because there are fixed costs. As far as the effect of the lower historic debt is concerned, if I understand you correctly, my reply is that in the first few years there will be a benefit from selling those houses because, of course, the profit is greater. However, the whole point is that after a few years there is this cross-over point, and then it becomes that much more of a loss.

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MR B KILROY

[Continued]

Mr Scott

473. But you say that the average outstanding debt is likely to rise. Why is that, if you are selling off more expensive, better properties?

(Mr Kilroy.) If the debt is pooled, the total sum of debt divided by the number of houses will produce a higher average, if you get rid of your smaller-debt houses.

474. But we are talking about higher-debt houses. It is the higher-debt houses that are going to be sold, is it not? That is the whole burden of your argument.

(Mr Kilroy.) No, what I said was that there is a statistical likelihood that middle-vintage houses will go. That is simply because of the shape of the local authority stock in the country. There is a concentration on post-war houses which are not that recent. In those cases there will be a likelihood that maintenance costs will be low, but nevertheless the outstanding debt will also be low. At the other extreme, you have, in very early houses, a low historic debt, yes, but a tendency, I would guess for maintenance costs to be that much higher. In the case of the very recent houses, there would be a tendency for the debt to be relatively high, but for the maintenance costs to be low. What I am saying is that round about the middle of the distribution — which is where the main concentration, the shape, the profile of the stock, is — you get the best of both worlds, with a low debt and low maintenance costs.

Mr Johnson-Smith

475. Still on this point, the assumption that you make is that there is a crossover point. From the information that you have kindly given us, one can understand that in certain areas, in certain cases, that indeed will happen. To that, I suppose, there is the other argument that replacing the dwelling which has been sold would inevitably lead to greater costs by the council, because they have to put up a new building to replace a house that has been sold, and that would cost more.

(Mr Kilroy.) I am also saying that even if they do not have to replace a dwelling — and the replacement cost does complicate the whole issue — there is still likely to be a loss. The main issue is this cross-over point.

Chairman

476. I think that you were present when the Secretary of State gave his evidence to

us on the public expenditure plans. You will have heard that he agreed with me that an expectation of a rise in local authority rents in real terms over and above inflation of 10 per cent was a reasonable inference to draw from the Chancellor of the Exchequer's evidence. To what extent would it affect your expectations on the timing of the cross-over point?

(Mr Kilroy.) Certainly it would bring the cross-over point forward at which losses from sales would exceed gains. I think I have already agreed that the king-pin of the whole exercise is the path of net rents; they are the major variable in the sum.

477. How does the evidence that we had from the Secretary of State accord with the assumptions in the DOE appraisal?

(Mr Kilroy.) There are five or six series of assumptions about rents. Quite clearly, what would happen is that it would be the top assumptions that would be followed (in other words, the high-rent increases).

Mr Winnick

478. Paragraph 6 refers to the difficulties of some people on what you have described as "middle-income groups", being in a position where they find it more difficult to rent from the local authority, and more difficult to buy. Could you explain precisely how this would arise?

(Mr Kilroy.) My feeling was, as I say, that there would be a shortage caused by sales, and this would have an effect, I imagined, on the market.

479. It would have an effect, if I take your point, in that there will be less rented accommodation available, and therefore there would be difficulties for those waiting to be housed by the council. How would the problem therefore arise with trying to buy, and why would it be more difficult?

(Mr Kilroy.) To the extent that with increased demand at the bottom of the market before supply could respond there would be a tendency for prices to rise.

480. Would the difficulties, do you consider, arise because of mortgage problems? I think it is paragraph 6 of the paper. Would difficulties, if I can repeat the question, arise because there would be a demand for mortgages for those wishing to buy their council houses so that there would be less money available from the local authority and perhaps from building societies to grant mortgages to those wanting to buy in the private sector?

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[Continued]

[Mr Winnick Contd.]

(Mr Kilroy.) Mortgages would certainly be more difficult to get hold of. The Stow Report gives an estimate of the increased demand for mortgage funds as a result of council house sales and that would have an effect I suppose on the interest rate charged by building societies. Indeed, as you know, one of the themes of the Stow Report is the necessity to make or to retain the interest rate of building societies at a more competitive level. The implication is that it would rise. On the other hand, there would be an offsetting effect, I imagine, in the market in that that would have the effect of reducing demand from would-be buyers, unless people discounted that increased cost because of the investment potential of house purchase. I am sorry if that is a rather convoluted answer.

481. But, you see, as far as being housed by the local council is concerned, those who are in favour of sales — the Secretary of State and his fellow ministers — would say that it will not really make much difference because if the person who has a council house wishes to buy, fair enough, but if he does not wish to buy the accommodation does not become available to the local authority in order to rehouse someone. So how would you worsen the position?

(Mr Kilroy.) I think the answer to that is that the supply of houses is not homogeneous. Houses that one will be short of for people on the housing lists will not be of the same type as the houses not purchased by people not moving from council tenancies. I think all the studies of filtering in the market have suggested that filtering is a very imperfect process and one would have to wait for the effect of houses, if you like, to filter down and the pieces on the board to be re-jigged in order to offset that shortage.

482. It has been said to us by some witnesses that it would take about five or six houses to be sold to replace a new one, to build a new one. Would you agree with that estimate?

(Mr Kilroy.) That is quite possible, yes. I have never done that sum myself.

Mr Miscampbell

483. I think really you have perhaps dealt with this in the answer that you have just given, but looking at paragraph 11 and over the page, you deal there with the sales of council houses and you say that they will create a gap in the supply of houses for the

"in between" households. That is exactly what you were touching on a moment ago. I wonder if you could help the Committee just a little bit further on that. At first sight it would certainly seem that this should not really drive up the price of houses to any great degree, because the sales do not in the end mean that there are fewer households. Your answer to that, as I understand it, is "Yes, in theory that is right if there is an open economy and filtering down is easy". Am I right in thinking that is your position?

(Mr Kilroy.) Yes, and I would add to that one further consideration. That if it is necessary to keep a number of houses empty, say, because they are due to be sold that will withdraw effectively the number of houses from the local market.

484. But predominantly the sales are likely to be to sitting tenants, are they not?

(Mr Kilroy.) I think it is fair to say that in those authorities that have sold — and you will have the figures — there has been an increase in the number of houses kept vacant with prospects of sale.

Mr Miscampbell: Yes, we have had some evidence of that, but not a great deal. We did get a recent authority who was telling us that they had a number vacant for a certain length of time but the overwhelming evidence appears to be that they are going to the sitting tenants of the moment.

Chairman

485. In any event, so far as the price of houses at the lower end of the market is concerned, I do not quite follow why the fact that a number of council houses are being kept empty awaiting sale is going to have any effect other than to depress the price of houses in that particular region, in that sector of the market. We have also been told by housebuilders that they expect that the subsequent resales of local authority houses after the five year pre-emption period is up will provide a reservoir of cheap, second hand houses at the lower end of the market, and that this will tend to depress the price of second hand homes in that area of the market, whereas they do not expect it to have any particular impact on other sections. Presumably you would not agree with the view of the builders about that, but we would be grateful if you could elaborate on the reasons why you do not.

(Mr Kilroy.) What I said in reply to the earlier question was that I did not think



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[Continued]

[Chairman Contd.]

these would be the same types of houses. The houses that would come on to the market would not be right at the very bottom. Now, it may be that that all depends to what extent the value of council houses keeps pace with equivalent houses in the private sector.

486. Can I go on to paragraph 12 of your evidence, in which you suggest that house prices might in future rise faster than incomes, and you cite the effect of investment demand. What circumstances would have to change for investment demand to have a greater effect on prices in the future than in the past?

(Mr Kilroy.) I would guess what you might call the "bandwagon" effect, in that it is becoming more and more openly acknowledged that buying a house is a good investment; indeed, a better investment than anything else. For that reason people are, I suppose prepared to stretch themselves for the sake of the investment attraction later on.

487. Yes, but if one were controlling the situation what changes would one wish to make if it was one's intention to try to ensure that house prices rose at only the level of inflation rather than at the higher rate that they have in the past?

(Mr Kilroy.) I think most people are agreed that there would have to be some gradual return to a position of tax neutrality between the treatment of housing investment and other kinds of personal investment. I think it is generally agreed among economists that there is no doubt that housing is particularly favoured.

Mr Miscampbell

488. That is almost certainly true. That, of course, has been true for the last 30 years, dealing with the allowance for mortgages and interest.

(Mr Kilroy.) I would have thought actually that it had become more favourable in the last few years; for instance, the tax exemptions have become more exceptional as other forms of tax relief have been withdrawn, as they were in 1969 and 1974. Also, of course, the stock market has since 1973 been less of an attraction.

Mr Scott

489. Against that you have got the erosion of the value of the £25,000 limit, have you not, for tax relief which has been eroded by inflation.

(Mr Kilroy.) That is perfectly true, but it is surprising how few mortgages are of that size. I have not up to date figures. I am not sure that they are available — but I think there was a Parliamentary answer a few years ago which suggested that if there was going to be any appreciable change in the Exchequer's tax bill for mortgage relief the limit would have to come down to something like £8,000. Now, that was in 1975 or 1976, I think, but it would still mean that the majority of mortgages are well under the £25,000 limit.

Mr Miscampbell: I thought that the general position about house prices was that they kept with surges on occasions basically in line with incomes and that that has been a fairly steady pattern for many years now. Of course, they are more attractive investments than anything else because The Stock Exchange has done so abysmally, and I do not necessarily mean investment in The Stock Exchange, but investment in insurance policies and everything else.

Mr Johnson-Smith: And they do not attract capital gains tax, either.

Mr Miscampbell

490. Yes, certainly they have that advantage. I wonder why you thought there had been any different pattern than the pattern we have had in the past of keeping in line with earnings.

(Mr Kilroy.) The building societies do maintain that they have kept in line with earnings. It all depends what you see behind the trend. Myself, I feel that house prices are rising slightly faster than earnings. My guess is that 20 years ago the multiple was about 3: now the multiple is probably getting on for 3½, or even 3½.

Mr Johnson-Smith: I think this is likely to be so at a time when people lose confidence in money as they invariably do when you have high rates of inflation. It is a phenomenon which is now beginning to affect the United States.

Mr Winnick

491. The evidence would seem to suggest that in some parts of England — London without doubt and the West Midlands and one or two other places — houses prices have made owner/occupation more difficult for a group of people who perhaps, say, four or five years ago and certainly ten years ago would have found it relatively easy — like young teachers after one or two years in a school — to buy a place of their own. Would that not in fact be true?

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MR B KILROY

[Continued]

[Mr Winnick Contd.]

(Mr Kilroy.) Of course, a lot depends on whether you have got two incomes or one. I am sure that dependence on joint income now is much greater than it was in the past. Again, we are talking about threshold costs; in other words, people joining the escalator. Really, that is the problem, is it not, that it is so difficult to get on the escalator but once you are on it is fine.

Mr Winnick: My point is that it is becoming increasingly difficult to get on the escalator; certainly in London where the number of properties available under £20,000 is very few and far between now, even in the inner city areas and in the houses built before the present century.

Chairman: I think we are diverging a little — I am probably guilty of initiating it — from the council house sales aspect to the mortgage tax relief aspect.

Mr Winnick: They are very much tied together, though.

Chairman

492. Yes, indeed. Mr Kilroy, do you wish to comment further on Mr Winnick's point?

(Mr Kilroy.) I was just going to say "Yes," but I would be quite happy to talk more about sales.

Mr Scott

493. I still do not really grasp why, if the effect of the haemorrhage from private renting into owner/occupation has kept prices down, why sales of council houses should tend to make prices rise at the lower end of the market.

(Mr Kilroy.) Because the sales of private rented housing have generally speaking, I would say, been at the bottom. They have been of the poorer properties.

494. Of course, we have had evidence from Wandsworth that some of their worst housing they are putting on the market for people to buy and renovate and restore themselves. Those sorts of houses are now being sold by councils.

(Mr Kilroy.) I would have thought that that was a policy that had quite a lot to recommend it, if the worst houses were sold or, indeed, rather, the worst flats were sold. Mind you, one would have to make certain changes in the way that the pricing of those flats was presented, separating, for instance, the service charges from the equity element of the flat.

495. Could I go on to paragraph 17, if

I may, which is really about interest rates and so on? I have two questions. One is that the problem that you outline is a problem anyway, is it not, that building societies have got about their competitive "edges", because in the present circumstances there is a shortage of mortgage finance, and they are going to have to face this anyway? However, is the effect of council house sales likely to be just marginal on that, or can you quantify in any way the effect which is likely to make that problem more difficult for the building societies? Secondly, what do you say to those who put forward the argument that the effect of council house sales should be to reduce the public sector borrowing requirement, therefore to tend to push down MLR, and therefore generally to help interest rates for housing as well as for other investment or for other borrowing?

(Mr Kilroy.) I seem to remember, when I looked at the Stow Report result and saw the increase that the building societies had gained for as a result of council house sales, and doing the sums on a proportionate basis, that, if other things were held constant, it would make a difference of (I think it was)  $\frac{1}{2}$  of 1 per cent to the interest rate that they would have to charge. I suppose that would be an effect net of something like £1.25 a week on the average mortgagor. However, as you say, there would be some offsetting effect from the drop in the public sector borrowing requirement. The extent to which that happened would depend on the extent to which funds could move freely from one to the other. I think one has got to remember that different categories of savers save with building societies than with government or local authority stock. Those investors tend to be institutional ones, and so there would not be a direct flow. The other factor I would have thought you would have to bear in mind was that, in time, the public sector borrowing requirement has to rise as a result of the funding the discount that it has lost on houses sold. Another effect that one would have to take into account is the extent to which council house tenants save with building societies.

496. Can we go back to what you just said, as it took me a little while to work it out? They do not really lose by the discount, because if it was not sold then there would be a nil effect on the public sector borrowing requirement, except for balancing up for rent and maintenance charges and so on, with the income balanced out. So they

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Mr B KILROY

[Continued]

[Mr Scott Contd.]

are not actually losing these things. They may not be reducing it by as much as if they sold it at the full price.

(Mr Kilroy.) Initially, yes, but in time they are losing the prospect that they would have by the net rent income. Again, we are back to this cross-over point. It is obviously a long-term effect.

Chairman

497. In the estimates you gave, I think you mentioned  $\frac{1}{2}$  of 1 per cent as the impact on interest rates and mortgages. Is that on the assumptions which you set out in paragraph 16 of your evidence, which, in effect, assumes that all sales will be financed by building societies?

(Mr Kilroy.) No, it was on the assumption that building societies make in the Stow Report. I think the figures are slightly different. I assume here, for the sake of argument only, a 100 per cent funding after the deposit has been deducted. Building societies, I think, assume something like 85 per cent.

498. I would like to go back to your "Roof" article of May 1977. You say in your evidence to us that you had, in your "Roof" article, exaggerated the frequency of re-sales once council dwellings are sold. Can you tell us to what extent your views have changed as a result of changing those assumptions, or to what extent the views expressed in the "Roof" article are still those which you would hold?

(Mr Kilroy.) I would not like to put a figure on it. I think that in the present situation the DOE's assumptions are fairly plausible. On the other hand, the situation is not going to remain as it is now. The situation is going to change very radically. I should have thought that, with all the publicity, so much attention will be drawn to the investment potential of house-owning that there is more likelihood that younger people will buy (and, what is more, they will move more often), and therefore that the DOE's assumptions are really very much on the conservative side. I think that the Government has said, rightly or wrongly, that this is a social revolution. The idea of confining a social revolution to the middle-aged, as it has in its own study, would, I am sure, not be the sort of thing it wants.

Mr Johnson-Smith

499. I did not understand that.

(Mr Kilroy.) The point being that, in the

DOE's appraisal paper, the assumption is made that the people who buy are likely to be mature households, middle-aged households. What I am saying is that there will be a likelihood of the younger households to buy, as much as the middle-aged (the 30 to 40 age group rather than the over-44s in the appendix to the appraisal paper).

Mr Miscampbell

500. You seem to envisage a rate of sales, because of publicity as to lack of capital gains, which is out of line with the general tenor of the evidence that we have had from other authorities who really do not seem at the moment to envisage a levelling-off of sales, but a very steady and quite low figure seems to be the outlook.

(Mr Kilroy.) Again, I am sorry, but I just cannot comment on that, because I have not the data available to know what levels of sales are likely. The whole tenor of my evidence is based on the premise that certain sales targets would be met.

Chairman

501. Obviously this affects the absolute value of the sums. It is obviously very much smaller if the number of houses that are sold is smaller, but it is not going to affect the direction of pressures resulting from the sale of council houses, is it?

(Mr Kilroy.) Yes, that is right, although one has to say also that the whole policy is designed to have a radical and big effect, and therefore there is really very little point in investigating the effects of a failed policy of this kind.

Mr Miscampbell

502. I am coming back to one point that has been asked. Perhaps I have missed something that has been said, but I shall try to check my figures. For instance, the figure that we got from Wandsworth was that they thought that, out of a total stock of about 26,000 houses, they were going to sell something like 500 a year, which is 2  $\frac{1}{2}$  per cent or so. If that was in any way near the normal pattern, would it change your views?

(Mr Kilroy.) One would simply have to scale them down.

(Chairman.) Wandsworth, of course, has a very high proportion of flats.

Mr Miscampbell

503. It may be a very bad one to take, I accept that, but it was simply one of the ones we have had some evidence about.

(Mr Kilroy.) Again, we just do not know,

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[Continued

THURSDAY 8 MAY 1980

Members present:

Mr B Douglas-Mann, in the Chair

Mr G Johnson-Smith  
Mr N MiscampbellMr N Scott  
Mr D Winnick

18 February 1980

## Sale of Council Houses

1. The Environment Committee was set up by Order of the House of Commons on 25 June 1979, as a Select Committee to examine the expenditure, administration and policy of the Department of the Environment and its associated bodies. The Committee is currently looking into issues affecting the rented housing sector and will first take evidence on the financial and social implications of the sale of council houses. I am writing to invite your written evidence about the likely effects of the sale of council houses. I realise that the preparation of evidence of this kind is a troublesome task, but I hope that you will feel able to undertake it.

2. The local authorities are by far the largest group of organisations the Committee are consulting. Enclosed as a guideline to the direction of the Committee's analysis is a copy of the list of questions which have been put to a selection of local housing authorities. Additionally the Committee have invited evidence from the Secretary of State for the Environment, associations of local authorities, construction companies, credit institutions, clearing and merchant banks, county planning and other planning authorities, pressure groups, and academic institutions. Copies of the questionnaires to the DOE and to the credit institutions are also enclosed. Rather than putting to you specific questions, the Committee would prefer to seek any evidence you can usefully provide on the basis of your experience.

3. When we have considered the written evidence, we shall invite a number of local authorities and other organisations to give oral evidence. If you would be willing to give oral evidence I would be grateful if you could indicate this when replying.

Although I realise that the time available for preparing copies is short, it is very important that the Committee should complete its enquiries quickly, and it is hoped that you will be able to reply by 17 March. Evidence should be sent to the Clerk to the Environment Committee.

B. DOUGLAS-MANN,  
Chairman.MEMORANDUM SUBMITTED BY THE CHARTERED INSTITUTE OF PUBLIC  
FINANCE AND ACCOUNTANCYEVIDENCE  
TO  
THE ENVIRONMENT COMMITTEE  
ON  
THE EFFECTS OF THE SALE OF COUNCIL HOUSES1. *Introduction*

## 1.1. The Chartered Institute of Public Finance and Accountancy, one of the six major

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[Continued]

professional accountancy bodies in the United Kingdom, is an independent body with an obligation under its Royal Charter to contribute to the maintenance and improvement of the standards of local and public authority finance. It does not represent any other organisation (public or private) or persons, and is precluded from engaging in any activities for the direct pecuniary interests of its members. Its members serve all types of local and public authority in Great Britain and in a number of Commonwealth countries: additionally, certain members act as advisers on housing finance to the local authority associations.

- 1.2. The Institute welcomes the opportunity to submit to the Environment Committee written evidence on the sale of council houses, and will willingly give oral evidence should this be required.
- 1.3. In October 1979, the Institute issued a statement on the sale of council dwellings which was designed:—
  - 1.3.1. to provide a methodology for the use of housing authority chief financial officers in advising their authorities of the financial implications of sales, and
  - 1.3.2. to offer a general commentary on the issues involved as a contribution to informed debate.

The statement did not comment on the Government's proposals for mandatory sales the details, of which, were not known at the time of the statement's production. For the same reason the statement did not take account of the proposed new subsidy system which will amend the rules regarding the adjustment of subsidy when a council dwelling is sold.

- 1.4. Since the issue of the Institute's statement, the proposals in the Government's consultation paper "The Right to Buy" have formed the basis of Chapter 1 of Part 1 of the Housing Bill, which is now in Standing Committee, and the Department of the Environment has published "Appraisal of the Financial Effects of Council House Sales". The Institute has produced observations on both the Bill and the Department's appraisal which have been submitted to the appropriate bodies for consideration.
- 1.5. The aforementioned statement and observations form the basis of the Institute's evidence. They are appended to this submission, which seeks to align the Institute's views to the direction of the Committee's inquiry.

## 2. *Financial Implications*

- 2.1. The Institute recognises that the right to buy has social as well as financial implications and it attaches significance to the statement in paragraph 1 of the Department's appraisal that the Government's policy of selling council houses stems in the first instance from the importance it attaches to home ownership. This is an acknowledgement that finance is not the prime consideration. Nevertheless, the appraisal accepts that the policy does have effects on public funds. The Institute considers that the social considerations do not diminish the importance of the financial aspects upon which this submission, in the main, is based.
- 2.2. Table 1 of the Institute's statement (Appendix A)\* shows that in recent years sales, in aggregate, represent a very small proportion of the total local housing stock, although the aggregate figures conceal wide and significant differences between local authorities. Where authorities offer the more generous discounts currently available sales are likely to be stimulated, and the Government envisages a significant increase when its Housing Bill is enacted. Attempts to estimate how many properties will be sold are, however, fraught with difficulties. Market surveys may be undertaken but their reliability is open to question, as experience shows a big fall-out between the expression of an interest and the signing of a contract.
- 2.3. The overall financial gain or loss to individual authorities in implementing the right

\*Not printed, available from CIPFA.

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[Continued]

to buy provisions of the Housing Bill cannot be estimated with any degree of certainty. This is because total sales cannot be accurately predicted, but also because of the problems underlying the forecasting of the cost consequences of selling individual dwellings — and here it is important to draw a distinction between the short-term consequences and those in the long term.

- 2.4. Part 5\* of the Institute's statement examines the short-term (first-year) implications of sales for a local authority's housing revenue account (HRA) and this indicates that, in most cases, gains will exceed losses under the existing subsidy system. It is likely that this position would continue under the subsidy system proposed by the Housing Bill, although there is a proposal in the Government's subsidy consultation paper that there should be a subsidy adjustment by reference to the cost of the dwelling plus 50 per cent of the difference between cost and sale price — in other words the capital benefits should be shared with the Exchequer.
- 2.5. Important though the first-year effects are, it is necessary to look further ahead and the Institute in Part 6\* of its statement discusses the form of, and problems connected with, long-term projections. By projecting annual gains and losses over the remaining life of a dwelling and discounting the projections, their net present value may be ascertained to show whether there is an overall financial gain or loss.
- 2.6. However, long-term projections necessitate the making of assumptions on a number of variables — eleven such factors are identified in the statement — and the subjective judgements necessary in making assumptions on these factors lead to the production of widely different results. Minor changes in the underlying assumptions can have a major effect on results, changing an apparent financial advantage into a disadvantage and vice-versa.
- 2.7. Nevertheless, the Institute believes that the presentation of statements containing exemplifications of the net present value of gains and/or losses for individual dwellings is useful to illustrate a range of possibilities and also to facilitate a comprehension of what is involved, provided the various assumptions and qualifications are set out. Table IV\*, paragraph 6.4, of the statement contains three projections, each based on three sets of assumptions. Five of the examples show a gain on sales, and four show a loss. The wide variations in the net present values, +£28,180 to -£8,780 in Case 3 for example, indicate the difficulties in making long-term projections.
- 2.8. Although the sale of dwellings predominantly affects the finances of the HRA, there are also implications for the general rate fund, in particular where a local authority is obliged to make a general rate fund contribution to meet a deficit in the HRA at the end of a year. This contribution will be varied by the amount by which the deficiency in the HRA is affected by gains or losses from the sale of dwellings.
- 2.9. The Institute has concentrated its studies, to date, on the financial implications of sales for local authorities; it has not studied the direct effects of sales on purchasers nor on the public sector as a whole. In this regard the "ripple" effect on the economy with more of a purchaser's income being devoted to housing costs than hitherto, leaving a smaller amount available for other expenditure or saving, may be of significance to central government in assessing the global effects of sales. It should also be borne in mind that when a dwelling is sold Exchequer subsidy ceases but purchases on mortgage entail an entitlement to mortgage interest tax relief or option mortgage subsidy which, in most cases, can be expected to increase if the dwelling is re-sold.
- 2.10. It is appropriate at this juncture to refer to the Department's appraisal the publication of which has been welcomed by the Institute and which follows, in many ways, the approach used by the Institute in its statement. The Institute's detailed observations on the appraisal are contained in Appendix B\* to this submission: here attention is drawn to the major differences between the statement

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[Continued]

and the appraisal, namely:—

- 2.10.1. The Department's appraisal shows the financial flows in the first year with no distinction between capital and revenue. The Institute considers that its method of presenting the short-term (first-year) effects, as illustrated in Table III\* of its statement, is more appropriate to local authorities than that used by the Department.
- 2.10.2. The appraisal, in projecting costs over fixed periods of 20 and 50 years, does not include the site value at the end of the house's useful life, on the grounds that the representative house might not reach the end of its life until further into the future than the end of the projection period. However, in the Institute's view, the projections are more useful if made to the end of the house's expected life and the site value should, therefore, be reflected in them.
- 2.10.3. Likewise the cost of building a replacement house is excluded from the appraisal on the grounds that in a high proportion of instances the question of a replacement could not arise until far into the future, too far off to judge now whether replacement would be needed or not. In its statement, the Institute, while noting replacement policy as a factor on which an assumption needed to be made, also excluded it from Table IV\*, as it is not easy, where sales are discretionary, to establish the link between current and future building schemes and potential loss of relets caused by a sales policy. However, the Institute believes that the right to buy could lead to a considerable increase in the scale of sales which, notwithstanding the arguments advanced in the appraisal, will mean some replacements are necessary if authorities' responsibilities are to be discharged. Such replacements will inevitably cost more than the houses sold.
- 2.10.4. The appraisal uses six assumptions on future rent increases, including one that rents rise in line with earnings. This produces the highest rent increase in the range of assumptions. However, in view of the immediate prospect for rents (an increase of £1.50 per week (an average of 23 per cent) recommended by the Government from April and a further 60p per week recommended from next October), the Institute would like to see a further assumption used in long-term appraisals that rents rise at a faster rate than earnings. Projection C in Table IV\* of the Institute's statement provides an example which shows rents rising at 1 per cent per annum in excess of cost inflation.
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3. *The Government's "Right to Buy" Proposals*
- 3.1. The Institute's detailed observations on the right to buy proposals of the Housing Bill are contained in Part 3 of Appendix C\*. This part of the submission draws attention to the salient features of those observations.
- 3.2. While local authorities currently have discretion whether or not to sell houses, that discretion will be removed under the right to buy provisions. The Institute, therefore, welcomes the statement in the Government's subsidy consultation paper that, where a dwelling is sold at a loss within the framework of the right to buy provisions, the loan charges which an authority will have to continue to pay on the loss will rank as qualifying expenditure for subsidy purposes.

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[Continued]

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[Continued]

- 3.3. The Institute notes the categories of property to be exempt from the right to buy provisions and is concerned that, within these exemptions, properties for the elderly are limited to those only with social services or special facilities in close proximity. There is an ever-increasing demand for properties for the elderly and the enforced sale of those dwellings not conforming to the narrow definitions in the Housing Bill will lead to a need for earlier replacement than would be the case for general needs dwellings: such replacements will inevitably cost more than the dwellings sold. Furthermore, on subsequent sales, these dwellings will probably be lost to the elderly. Given strictly financial considerations, the Institute believes that *all* properties intended for the sole use of the elderly should be exempt from the right to buy provisions. As an alternative, to reduce the burden of replacement and to avoid depriving the elderly of the right to buy, the Institute has proposed long-term pre-emption rights to authorities, perhaps along the lines suggested in the Government circular dated 18 May 1979. These rights would enable authorities to preserve the use of the dwellings for the particular category of housing need for which they were intended.
- 3.4. The practical difficulties of establishing, for the purposes of determining the right to buy and the discount entitlement, the length of a tenancy with other landlords are formidable and the Institute welcomes the power under Clause 24 of the Housing Bill to accept a statutory declaration from the tenant as sufficient evidence of the matters declared in it. However, the dangers of a false declaration should not be overlooked and the Institute would wish to see a substantial financial or other penalty incorporated in the Bill to safeguard against such an occurrence.
- 3.5. The Institute notes that the discounts are related to the years of tenancy and assumes that this is a political decision on social grounds as there appears to be no financial justification for this approach.
- 3.6. Given the intention that a discount shall not reduce the price of a house below historic cost, it does not appear to the Institute that the application of this restriction to properties first let under a secure tenancy after 31 March 1974, is appropriate, particularly for dwellings where modernisation works have been carried out. The Housing Bill provides for the cost of a house to be estimated in a manner determined by the Secretary of State. The Institute's views on the method of estimating the costs of properties are set out in its observations on the Bill.
- 3.7. The Institute believes that the Secretary of State should consult with the local authority associations in the making of regulations under Clause 9 (Right to a mortgage — amount to be secured). Nevertheless, it expresses its disquiet at the lack of discretion to local authorities in the granting of mortgages, believing that the lender should have the right to determine both the creditworthiness of the proposed purchaser and the amount to be left outstanding on the security of a mortgage should one be granted.
- 3.8. The Institute is concerned that the Government's proposed arrangements for mortgage interest rates, under Clause 98, will penalize local authority borrowers who are likely to be in the lower income groups. A *permissive* power for local authorities to charge the equivalent of the Building Societies' Association recommended rate has been sought, a flexible approach which will enable authorities to exercise their discretion after balancing the advantages and disadvantages to their borrowers and to the generality of their ratepayers.
- 3.9. The Institute is concerned at the proposal in Clause 15 which provides an "option" to purchase a dwelling, upon payment of a returnable deposit of £100, at any time within a period of two years beginning on the date of the initial application and at a price determined on that date. It considers that this proposal, in freezing the sale price of the dwelling, concedes what is in effect an additional discount, since no account can be taken of any capital appreciation during the period of up to two years to completion. However, it is recognised that the extent to which the tenant should gain from such an additional discount is a political decision.

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[Continued]

- 3.10. The Institute notes that as the Housing Bill stands there appears to be nothing to prevent a tenant who has used his right to purchase at a discount once, to do so a second time, and welcomes the announcement by the Government that there will be an amendment to prevent this possible abuse.
- 3.11. The Institute is concerned at the practical problems which will arise from the granting of leases for flats and maisonettes for a term of not less than 125 years. These problems will exist particularly:—
- 3.11.1. where properties do not have a remaining useful life of 125 years;
- 3.11.2. when the termination dates of leases of properties sold within the same development do not coincide, and
- 3.11.3. should authorities wish to modernise developments for which, upon the sale of individual dwellings within the developments, they are only partly responsible.

Furthermore, the Institute is of the view that the provisions of Clause 118, Schedule 15, which relate to service charges payable by tenants of these properties, will require considerable modification if they are not to involve local authorities in significant administrative burdens. It considers that discussions, in which it will gladly participate, should be held with interested parties to devise a code suitable of application to local authorities, their tenants and their leaseholders.

- 3.12. The Institute believes that the right to buy proposals will entail a new series of administrative procedures which could have significant manpower implications — at least in the short term — at a time when local authorities are under pressure to reduce manpower and costs.

#### 4. *Summary and Conclusions*

- 4.1. The case for the sale of council houses stems from the importance the Government attaches to home ownership, though there are important financial as well as social consequences.
- 4.2. The Institute believes that the sale of council houses will generally produce gains for local authorities in the first year but that the estimating of the long-term implications is so conjectural as to be speculative. Minor changes in the underlying assumptions can have a major effect on results, changing an apparent financial advantage into a disadvantage and vice-versa. The wide variations shown in the Institute's exemplifications indicate the difficulties in making long-term projections. Nevertheless, these projections will illustrate a range of possibilities, and facilitate comprehension of what is involved provided assumptions and qualifications forming the basis of the projections are set out.
- 4.3. The Department of the Environment's appraisal of the financial effects of council house sales is welcomed and its approach follows in many ways that used by the Institute in its own statement. But there are some differences and the Institute would like to see the appraisal extended to include the assumption that rents rise faster than earnings.
- 4.4. The Institute has a number of reservations on the right to buy proposals, of which the major ones are:—
- 4.4.1. It believes that, given strictly financial considerations, all dwellings intended for the sole use of the elderly should be excluded from the mandatory requirements to sell. Alternatively, long-term pre-emption rights should be granted to local authorities to enable them to preserve the use of the dwellings for the category of housing need for which they were originally intended.
- 4.4.2. It is concerned at the lack of discretion to local authorities in the granting of mortgages, and the proposals for mortgage interest rates which will penalize local authority borrowers.

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- 4.4.3. It believes the two-year "option" proposal, in freezing the sale price of the dwelling, concedes what is in effect an additional discount as it takes no account of capital appreciation. However, it is recognised that the extent to which the tenant should gain from such an additional discount is a political decision.
- 4.4.4. There are a number of practical problems in the granting of 125-year leases for flats and maisonettes. In addition, the proposals related to service charges payable by tenants of these properties require considerable modification if they are not to involve local authorities in significant administrative burdens.
- 4.4.5. It believes that, at least in the short term, the Housing Bill proposals could have significant manpower implications at a time when local authorities are under pressure to reduce manpower and costs.

1 Buckingham Place,  
London SW1E 6HS.

March 1980.

8 May 1980]

Mr B BUCKNALL, Mr R A EMMOTT, Mr J STRINGER,  
Mr J L TOMLINSON, Mr K L WEBSTER and Mr J A BURGESS

[Continued]

## Examination of witnesses

Mr B BUCKNALL, Council Member, Mr R A EMMOTT, Deputy Director, Mr J STRINGER, Committee Member, Mr J L TOMLINSON, Committee Member, Mr K L WEBSTER, Committee Member, and Mr J A BURGESS, Assistant Secretary, Chartered Institute of Public Finance and Accountancy, called in and examined.

## Chairman

510. Good morning, Gentlemen. Thank you for coming. We have read your comments on the DOE Appraisal with interest. I am going to divide the session into discussion initially on your comments on the financial aspects and then on the social aspects of the sales. Could I start by referring to your comment that in its appraisal the Department should have used the real rate of interest represented by the local authorities' average pool rate rather than the yield on Consols. Could you tell us what that rate would have been and how much difference it would have made to the effect of the overall appraisal.

(Mr Stringer.) While Consols, we think, might be the appropriate rate for considering what it costs the Government to raise this money, local authorities after all build the houses and raise the finance and use, in fact, the resources of local authority finance. There is clearly a difference between what it costs local authorities to raise money and what it costs the Government through Consols. The difference over time is between one and two per cent. The impact of that difference is not significant. CIPFA took a two per cent difference: the DOE appraisal takes a range between one and three per cent. We think in fact that it is only the clearly inappropriate base of Consols for local authority finance raising that we are making a comment about rather than the worked out example. It does not make a significant difference. It is just another imprecision in the great depth of imprecision and speculation.

## Mr Scott

511. Can I come on to administrative costs? You mention the  $\frac{1}{2}$  per cent rate, I think, in two places in the evidence, and seem to get the implication that that is not the right addition to make adequate provision for the administrative costs of selling. Certainly when Wandsworth came to see us they were spending £350,000 a year at the moment on the cost of sales. Have you come to any assessment as to what one ought to add to the interest rate to make proper provision, or is there any other way of getting to a figure?

(Mr Bucknall.) This is an extremely difficult question to answer, but we have taken a straw poll whenever we have been out discussing this. What is fairly certain is that a  $\frac{1}{2}$  per cent seems to be too low. We recommend it should be higher.

(Mr Webster.) From our findings I think we think that for the majority of authorities something between  $\frac{1}{2}$  per cent and 1 per cent is the sort of range one is talking about. We think most authorities currently would fit into that sort of pattern. That is based, of course, upon all sorts of lending by local authorities at the present time on sales and also on assisting private purchase.

512. You mentioned the manpower implications in your evidence, as well. Is it possible to break that down at all as to where the extra manpower will be required in local authorities?

(Mr Webster.) Yes. This is going to depend in the first instance on how active individual authorities have been in selling houses. If they have been very active obviously they have got some sort of organisation for dealing with it, but you are going to need valuers, legal staff, housing administration staff and finance staff. I think a wide range of departments are going to need additional assistance. Of course, it would be possible in some respects by employing private solicitors, private valuers, to avoid actually extra staff, but the costs are going to be there anyway. Again, I did some calculations, and I have discussed it with my colleagues. They think that it would not be unreasonable to think in terms of one extra staff for every 3,000 dwellings we have got on our housing stock (not that we sell, but every 3,000 properties that an authority has on its stock, and for those something of the order of one extra staff will be required).

## Mr Winnick

513. How would that work out in a London borough? How many extra staff would the average London borough have to take on, in order to deal with the sale of council houses?

(Mr Webster.) It is going to depend on their housing stock, of course. I am not

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[Continued]

[Mr Winnick Contd.]

terribly up in London boroughs. Certainly for a fairly large provincial city it is going to mean something like an extra 12 staff, I think.

Mr Miscampbell

514. With Wandsworth it would be 8 or 9, would it not? We have had the figures from Wandsworth, so we know how many council houses they have got.

(Mr Webster.) It will be of that order, yes.

Mr Scott

515. You have raised the quite interesting point about the possibility of councils putting out work for valuation, or for conveyancing and so on, to outside bodies rather than employing the staff themselves. Have the Institute ever done any work on the comparative work whether it is done directly by local authorities, or whether the authority puts the work out directly to professionals outside?

(Mr Emmott.) No, we have not.

(Mr Bucknall.) I think the approach of most councils would be that they would try and do the costing first; that they would go outside if they could get it done more cheaply, but generally it is cheaper to have in-house staff, if you can provide them with continuity of work. That is the approach most councils would have (I would hope, anyway).

(Mr Stringer.) We have had a certain experience of using both at the same time. Part of the difficulty has been the practical problems facing private solicitors in what are often complex legal situations in the case of dwellings which are built in a form and relationship which are not suitable for individual ownership — things like an unadopted estate road, district heating, a roof space which runs common right across the whole of a block, which have really got to be resolved in legal terms. Although it is helpful to appoint outside solicitors to get the initial responses under way, there is a great deal of briefing of those private solicitors, in order to get a common line of approach coming through for the authority that is selling. We have found that it is both more costly and slower to achieve sales of quite complex situations through the private sector.

516. When you say "We" you do not mean the Institute, do you?

(Mr Stringer.) No, I mean particular authorities.

(Chairman.) Perhaps we could move on to the question of the assumptions about rents.

Mr Scott

517. In your Appendix B\*, at 5.2, you mention that rents should be looked at in the light of the possibility that they would rise faster than earnings. As I see it, you do consider that the question of the rents rising is a very crucial factor in calculating the loss or gain from the sale of council houses, according to your evidence. As I correct it that?

(Mr Bucknall.) Yes, I think it is one of many important factors, but it is obviously a big one, by the figures which have come out. We do think it is important to do an exercise on the assumptions that rents do go up, and we have been pragmatic about this. There has been a recommended rent increase of £1.50 from 1 April, and a further one recommended of 60 pence from 1 October. If they are applied to an average rent of £6.50 a week, it is quite a significant increase (it is well over the present rate of inflation), though one cannot be sure that those recommended increases will continue indefinitely. If one takes the whole concept of housing finance, for many years now tenants have been paying gradually declining percentages of the outgoings. Successive Governments appear to have wanted to reverse that situation, so that is another reason why we think rents might go up faster than earnings.

518. The evidence is pointing in that direction at the moment, is it not?

(Mr Bucknall.) Yes. There is another important thing I would like to say too. Some authorities at the moment cannot put their rents up, otherwise they would be making a surplus which is not permitted under the Housing Finance Act 1972, as amended, at the moment. However, if the Housing Bill goes through, there will be no restrictions on making surpluses, therefore they may be encouraged to put rents up. Indeed, when the new subsidies system comes out they may have no option.

Mr Johnson-Smith

519. I think it is unlikely that any local authority, for political reasons, would wish to embark on a policy which was sustained for any amount of time, which had the effect of putting rents up, because anyone who tried to do that as a political group would be out on their ear when the next

\*Not printed

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[Continued]

[Mr Johnson-Smith *Contd.*]

election came along. Your own projections are very interesting. I notice that in Table IV\* on page 11 in only one instance have you projected rent increases yourselves as above the rate of inflation. As a proportion of outgoings it may be that it is necessary for this to happen, but as an ongoing policy would you care to substantiate why you think that this is likely over a long period of time? Do you think it is more realistic to assume that the most we can expect is that it will keep pace with the rate of inflation?

(Mr Bucknall.) For many years rents have not gone above the cost of housing expenditure. I think that sooner or later we have got to come to terms with the true cost of housing, and I think there will be a tendency for rents to rise faster than earnings. My colleagues agree with me on this, I am not just giving you a personal view. It is inevitable that sooner or later it might happen, although it might create some difficult decisions for members.

(Mr Webster.) But a crucial factor in the future level of rents will be the future level of subsidies.

Chairman

520. Do you think that the reduced allocations for housing in the Public Expenditure White Paper are likely to compel local authorities to raise their rents?

(Mr Bucknall.) You mean the reduced allocations on capital expenditure?

521. No, I am not talking about the capital allocations, I am talking about the projections through to 1983/84.

(Mr Bucknall.) Going down roughly half below what it is now?

522. Yes.

(Mr Bucknall.) One can only draw the conclusion that the authors of the White Paper see other income, local contributions, providing a much bigger percentage of the bill. In other words, it reaffirms our view that the intentions are that subsidies will decline, which must mean more money coming from the tenants or the ratepayers.

523. Does this increase the likelihood that projection C at Table IV\* would be nearer to the mark than the others?

(Mr Bucknall.) We think it points in that direction. One other point one might make (not entering into politics on this at all, but trying to be completely objective) is that local authorities will have the choice of how they find their local contributions between

more rates and more rents. However, if pressure is on them to keep their rate fund expenditure within certain limits, it is inevitable that they will have to look again at their tenants.

524. That is the collective view, is it?

(Mr Bucknall.) Yes, I think this is our collective view.

525. Reverting to the other points you made on the appraisal, you said that you thought the Department of the Environment should have included site value in their appraisal. To what extent would you think that, in their 20-year appraisal, they should also include the value of the house as well as the site?

(Mr Bucknall.) That is a very interesting question. We have merely noted that they do not include anything. Could I invite Mr Tomlinson to reply?

(Mr Tomlinson.) I think from the accountant's view an asset must always have value whilst it is in ownership. One must look either at site value, as the CIPFA did, and say that it would have a site value at the end of the life of the property or, as the appraisal of the DOE did, say that if we are looking at a section of time — the 20 years which is not related necessarily to the period when the property still is standing — then the property itself would have some value. It really needs adjustment then as to what value it has. It would be very difficult to pull out of the air a figure now to offer you but I think one would have to say that if the property is standing and usable then a value ought to be brought in and then discounted back to net present value.

526. You also say that some replacements will be necessary if the dwelling is sold. Can you give any indication as to what will be a reasonable allowance to make in the Department's 20-year and 50-year appraisals for the need to replace the dwellings that have been sold?

(Mr Bucknall.) This is another very difficult area. It is a very tenuous one, this. It is commonly said that when houses are purchased the tenants will stay in for the rest of their lives, that you will not have lost the tenancy of the house. But, in fact, you must lose a certain number over a particular period. Again, how does one decide what to bring in on the appraisal for that? We do not really know the answer to that. Mr Webster has been doing some thinking again on this. He might be able to help.

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[Chairman Contd.]

(Mr Webster.) This is related, primarily, Chairman, to properties held and occupied by elderly persons but not having been constructed or specifically adapted for them. In a fairly large provincial city something like 20 per cent of the total dwellings are occupied and are set aside specifically for elderly persons but which were not specifically constructed or adapted for them and have no social service. These are ground floor flats or single bedroomed bungalows, this sort of thing. Now, one sure thing, I think, is that the elderly population is increasing, both in absolute and in relative terms. If one found oneself selling off significant numbers of these types of property then one is going to have I think a very clear need for replacement.

Mr Winnick

527. I take that point. However, it might be said that in practice because of the ages of the people concerned not many of the dwellings are going to be sold to the sitting tenant. What would you say to that?

(Mr Webster.) One could say that it depends on the desirability of the individual dwelling and the extent to which sons and sons-in-law are prepared to put the money up or to act as guarantor for the mortgage.

528. I take that point again, although if the accommodation is of a rather restricted type it may not come in useful for those who put the money up.

(Mr Webster.) That could be.

529. Nevertheless, in your evidence to us you say that your view remains that all dwellings intended for the sole use of the elderly should be exceptions. You think there should be a clause in the Bill along those lines.

(Mr Webster.) I think there is going to be a real practical problem for local authorities if that does not happen. We are going to have issues arising which will need solutions not too long after the Bill becomes law.

530. Have you in fact made any representations to the Secretary of State?

(Mr Webster.) Yes, in our general evidence.

(Mr Bucknall.) We did also put forward the idea that if that were not acceptable there might be a long period pre-emption clause which would enable the dwellings to be reverted to use for the elderly.

(Mr Webster.) That is the situation at the moment under the general consent to sell.

One can introduce special long term pre-emption clauses.

(Mr Bucknall.) It is a very useful device and we would have, say, a 20 year pre-emption clause to be market value at the end of a five-year period.

Chairman

531. It is a useful device but still quite expensive to operate after 20 years of inflation.

(Mr Bucknall.) Yes, but it would mean that local authorities could look to these dwellings being retained for the use of the elderly if they wanted to, but they would not be obliged to.

Mr Scott

532. In the document at B 2.7 you say that you are going to consider further the financial consequences of the sale of long leasehold flats. I wonder how much further you have gone down that road?

(Mr Bucknall.) Not as far as we would like. Mr Stringer is our expert on flats.

(Mr Stringer.) With limited experience of the problem of trying to sell flats the response at the moment from potential purchasers is not very high so we have not solved all the problems. Our experience is really in the context of limited whole blocks of flats in which you have got the sale situation as it stands rather than a term which we use called 'pepper potting' where you have one potential purchaser in a block of fifty flats. The practical difficulties of the landlord, the local authority or it might be a management company — but let us assume it is the local authority — of operating to secure the proper maintenance, the proper division, the reasonable charge on recovery of the costs of the management activities, are very complex. What we are saying is that there are real difficult practical day to day issues to be resolved. We lack the experience as to what might work and we fear the practicality of the present proposals, but there are discussions with the DOE on producing a practical solution to the clearly identified problems of making it work. We have little experience at the moment of successfully overcoming them.

Mr Winnick

533. It has been suggested by previous witnesses that the maintenance charged to someone who buys a flat could be as much as the rent which he is now paying as a tenant.

(Mr Stringer.) That is easily understood



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[Continued]

[Mr Winnick Contd.]

in a situation where you might have district heating, unadopted roads, wide areas of grass around the block and planting. Yes, it could be.

534. Wandsworth in fact has suggested that all this should be taken into consideration when someone wishes to buy and that there should be a capitalised sum which should add up to the part of a discount so when you are assessing the price of the property one should also take into account maintenance charges and include that in a discount. What would your views on that be?

(Mr Bucknall.) We have not considered this as a body, as an Institute. My immediate reaction is that one could not justify it because I do not think any of these items would be regarded as rent for the purpose of rent rebate. Therefore, I think it would be unfair that they should get a discount on these. You said capitalise.

Chairman

535. Not so much a discount: I think the evidence was that it should be taken into account in assessing the capital value. If there is a high service charge it reduces the capital value.

(Mr Bucknall.) That would be a high discount, then, would it not?

536. That would reduce the discount in money terms because the capital cost would be lower.

(Mr Stringer.) There must be an interface between market value and the expectation subsequently to pay a high management charge. That is partly reflected.

Mr Johnson-Smith

537. On this point of leaseholds and selling flats, I wonder if we could be told what the nature is of these practical difficulties and to what extent they differ from the private sector, if at all.

(Mr Stringer.) Clearly they should not differ from the private sector because one is dealing with owner/occupiers of a block of flats in which the overcoming in most cases of the day to day management problems has been successfully coped with by various approaches. There are two or three practical problems that could be seen. The first is the issue where they are tied to the development of a particular flatted estate which was not designed or built or linked in any way with ownership in mind but was dealt with as a single managed entity. There

are a lot of practical problems to be overcome in that. The second is that issues such as costing systems for the display to individual owner/occupiers that the management charge is reasonably based and properly payable by him. That will not be a problem to management companies dealing with blocks of flats in which this detail exists and the costing system exists. If a local authority is selling such systems normally do not exist. We do not cost in detail down to individual blocks of flats so there has got to be considerable breakdown into the detail, but that is a challenge to the technicians and can be done. The other sort of issue that comes up from the Bill proposed is for example to display competitive tendering for jobs of work over £500. That is just so out of line with the day to day practice of local authorities who would not go out to competitive tender for £500: it would be quite pointless. It is uneconomic. That has got to be the approach and the display to the individual purchaser in order to secure both the reasonableness of the price and in fact that the action you are proposing to take as landlords is accepted by him. It is that sort of practical movement from what I call a municipal management style into a style which is for owner-occupation on a "pepper-potted" basis, for complex buildings that might well have all the problems of district heating, unadopted roads, complex management issues which have just got to be overcome and displayed to individual owner-occupiers. We lack the experience of it. We fear that there are substantial difficulties, and we can identify some already.

Chairman

538. You told us that you are having discussions\* with the Department of the Environment about this. Are you hopeful that these will come to a conclusion in sufficient time for amendments to the Bill?

(Mr Stringer.) We hope so.

Mr Scott

539. You would look for a separate schedule, would you? Instead of Schedule 15 you would look for a separate set of rules where the ownership of the block remains with the local authority?

(Mr Stringer.) Yes. At the moment, on 125-year lease positions, we have this further practical problem which the Institute

\* Witness states that the discussions are between the Department of the Environment and his local authority, not the Institute.

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[Continued]

[Mr Scott Contd.]

has mentioned, in which we saw a problem concerning a common termination date of leases, otherwise we should have a spread of ownership falling out which would make it quite impossible for landlords to manage that situation. They may well be on dwellings which have an absolute maximum life of, say, 50 years in their present condition. So there has got to be some management there. The first point you made was about a new schedule. We want the schedule to be adapted, with a closer link to the practical problems which we see.

540. Can I ask you a question (not being an accountant) about this business of capitalising the service charge? Is it technically possible to capitalise a charge to arrive at a capital sum which will represent, over an unforeseen period in the future, the charges that would have to be paid?

(Mr Bucknall.) The thought frightens me, because many years ago authorities used to allow people to pay for the maintenance of graves in perpetuity by paying a sum of about £100 which was to enable the grave to be maintained for all time. They have now realised the folly of their ways. Just imagine trying to maintain a central heating system in perpetuity! The mind boggles as to what it would entail.

(Mr Webster.) They used to allow a rate of interest of 2½ per cent or thereabouts. Therein lies the problem.

Mr Johnson-Smith

541. I understand that the councils do not have the experience which lies in the private sector, but presumably they would consider passing this responsibility onto those management companies which have experience. After all, there are many freeholders of many big estates in London, who hand over the responsibility for management to companies to do that for them. I would like you to comment on that, if possible, please. Secondly, in addition to the practical problems which do exist, I wonder to what extent there is behind it all a concern on what I might call socio-economic grounds (namely, that it is one thing to run a block of flats which are individually sold to the professional groups in this country living within a reasonable distance of Central London and the more desirable residential parts where you are dealing with higher-income groups, as compared with a council estate which is "pepper potted", you might say, in Bethnal Green). Could you comment on that?

(Mr Stringer.) My authority has had experience, and it is part of the way forward into the sale of flats to use the private sector. We do use the private sector to operate management companies for us, in which they put in the management thrust, the individual owners become members of that management company, and there is corporate decision-making and corporate payments of the costs. We are very pleased with the progress, but that is leaning on the many years' experience of one of the major firms of estate agents in London. It would be much more difficult either to attract them or to justify the payment to them for managing a block of flats of which 49 are rented and 1 is owner-occupied. That is the opposite extreme, and in no way do we think that that is possible, other than that the local authority must continue to provide the management aspect of it. On your point about the problems of flats outside the more attractive areas or surroundings in which to live, it is true, this is new territory, as to how people might consider themselves being owner-occupiers of a block in which a third become owner-occupiers and half are on rent rebate or supplementary benefit, in which there are clearly major problems for the local authority to keep standards up. That is unknown territory. It is extremely difficult to encourage pride in owner-occupation in a part-ownership of a block by owner-occupiers compared to those who rent. That is very difficult indeed.

Chairman

542. Can I ask to what extent you see administrative difficulties in the case of equity-sharing sales, in particular?

(Mr Bucknall.) We know Birmingham are the leaders in this field. I do not think we have anybody who has had great experience of it. Whatever the difficulties are, we ought to be able to overcome them.

543. I was thinking particularly of the question of pre-emption rights during the period prior to the purchaser having acquired the whole of the freehold.

(Mr Stringer.) We have not had problems. Most people clearly prefer to be the owner of the whole of the equity, but there are situations in which they clearly cannot. We have found no practical difficulties, no difference between the behaviour of those people, in financial terms, compared with the normal purchaser.

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Mr Johnson-Smith

544. In paragraph 2.9 of your introduction there is a reference made to the "ripple" effect on the economy as a result of a purchaser spending more money on housing and less on other goods. Could you tell us what sorts of effects you have in mind, and why you think it matters at all in a document of this kind?

(Mr Bucknall.) All we have done here is to draw attention to the fact that the point does not seem to have been mentioned either by us initially or by the DOE appraisal. This really is a point for an economist, but we do take the view that if a person is spending more money on mortgage payments than on rent, he has a smaller amount left of his income either to spend on consumer goods or on saving. This must have an effect, if the council house sales develop as the Government hope they will do. Quite what the effect will be, we do not know. We are merely drawing attention to the fact that this point does not seem to have been mentioned anywhere.

545. But it is not a very pertinent point, is it, in relation to the thrust of this document?

(Mr Bucknall.) No, it is merely a point that we noticed we left out before and, as we had noticed it, we thought it ought to be on record somewhere.

Mr Winnick

546. Of course, public funds are involved. Once a tenant buys his council house or flat there is mortgage relief and the rest, so the factor of public funds should not be left out of the equation, should it?

(Mr Bucknall.) No. But he himself will have less money available to spend on consumer goods; this is the point.

547. Yes, but I mean as far as the public purse is concerned.

(Mr Bucknall.) As regards the public purse, I agree, there is no money passing.

548. Sometimes there is a source of friction, if you like, that the subsidies will cease on the council house because the person is buying, and that will be the end of the public purse commitment. That, of course, is not so, there is a new public purse commitment by way of mortgage relief, is there not?

(Mr Bucknall.) Indeed.

549. That will grow, of course, with the possible re-sale of the dwelling?

(Mr Bucknall.) We have drawn attention

to this point specifically in our evidence. We have not attempted to quantify it, but we do know it is there.

Mr Miscampbell

550. As far as the ripple effect is concerned, you would not place it as being likely to be of any great significance. We have not had any evidence that there is going to be an avalanche of council house sales: very much the opposite. What one would think would happen would be that perhaps there would be a cutting down on such luxury or peripheral expenditure and perhaps a rather more positive expenditure in the "do it yourself" shop.

(Mr Bucknall.) This could well be the case. All the evidence points to the fact that if a person buys his own house he spends more in the "do it yourself" shop. This could be it.

(Mr Webster.) It is worth distinguishing between the two ripple effects. We look at this purely from the point of view of the local authority situation. There is the ripple effect on the central Government and the ripple effect on the private sector.

(Mr Miscampbell.) You are really dealing with housing and not just the ripple effect on expenditure in the High Street on a Saturday afternoon.

(Mr Scott.) Mr Kilroy's evidence was slanted in the opposite direction. He was saying that when people traded their house, having gone into owner/occupation, when they bought the next one some of the proceeds leaked out into consumption, rather than the opposite.

Chairman

551. I do not know that those two views are inconsistent. They differ on the period of time over which they take place.

(Mr Bucknall.) It is very difficult to trace all these effects of what one simple transaction ends up with. We have found that all the way through. The whole issue is charged with difficulties to try and see what is going to happen in the future.

Mr Scott

552. Can we move on, Mr Chairman? There is a point that, because the number of transactions in the private sector is dropping or is likely to drop this year fairly dramatically, from something like 800,000 transactions last year to 600,000 or 650,000 this year, there ought to be quite a lot of spare capacity in the private sector of solicitors' and valuers' time. Do you think the member authorities are aware of that?

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[Mr Scott Contd.]

(Mr Bucknall.) I am sure it is a point they would take on board in trying to find the best and most economical way of doing the short sharp job. We shall see a tremendous burst of enthusiasm for this when the Bill becomes Act. The local authorities are going to be inundated with inquiries but not all of those inquiries will lead to sales. Some authorities could be in difficulty. I am sure the first thing they will do is to put the work out.

553. It would be a pity to recruit large numbers of staff for what might be a comparatively short term surge.

(Mr Bucknall.) I think they would tend to be in the bigger places. They would need to recruit more staff in any event. In the smaller authorities they will tend to work overtime and special sessions.

(Mr Tomlinson.) A number of authorities, of course, have had as a policy a sales programme on housing under consent powers. The impact of the Bill there will be less marked than in the authorities that have not had that policy, so some authorities may well be geared up to the sort of staffing levels which will enable them to carry on without increasing their staff. Those that have not had such a policy will obviously have an initial impact of some size and I think, supporting the comment of Mr Stringer, that those authorities will probably need to look outside to the private sector for valuation even, apart from the business of normal legal conveyancing. Certainly the experience that has been met is not a unique one that where authorities have gone outside, particularly in the legal sphere, this has very much delayed the period of completion, as opposed to using staff already in the authority.

Chairman

554. Thank you. We will leave the financial aspects now and go on to two other points. In appendix B\*, paragraph 5.6, you compared the financial effects of selling a dwelling with its continued rental, and you say that you have doubts about the validity of the assumption, in paragraph 47 of the Department's assessment, that improvement would have taken place after 15 years if the dwelling had not been sold. That is paragraph 5.6 of appendix B\*. Can you tell us why you doubt those assumptions?

(Mr Tomlinson.) The general experience, Chairman, is that authorities are currently modernising properties of about 50

years age, mainly properties built between the wars. That period is not an exact one but we see that buildings before the war were built to a particular standard and we then in the 1960s moved on to a higher standard, the Parker Morris standard. That did require that the older properties were looked at with a view to modernisation. If we look at a building which is being sold now we say — just any average building built at any time — I think we have to look 25 years on from that as being the period when we would say the next modernisation was due — say 25 to 30 years. I think the 15 is rather short in relation to what is actually happening round the country just now.

555. To what extent is that going to be affected by the Public Expenditure White Paper? Do you think it is likely to prolong the period before improvements are likely to take place?

(Mr Tomlinson.) That is another factor, yes, indeed.

(Mr Bucknall.) We did not know about this when we did our evidence, but this does make it — 15 years — a very short period, I think. 30 years must be a much more realistic figure.

Mr Winnick

556. As far as modernisation is concerned, how far is that taken into account when calculating the sale price which of course must not be less than the cost incurred by the local authority in providing the dwelling? Do you think that an amendment is needed to the Bill over the cost of modernisation?

(Mr Webster.) Yes. We have suggested that if we understand the Government's intention correctly then we do not think the Bill as currently drafted is going to necessarily achieve that intention. We understand and want to be in a position to say that no dwelling is sold at a price net of discount which was less than the historic cost of providing it and perhaps subsequently modernising it. We think the date chosen in the Bill — the 31st March 1974 — is unlikely to achieve that situation. We suggested going back to the date that the Parker Morris standards became mandatory, back in 1969. We have thought about this again since we gave our evidence and we think that if that is going back too far in time then let us say ten years from the date that the individual dwelling first became available for letting; in other words, we understand what the Government is trying

\*Not printed

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[Mr Winnick Contd.]

to achieve. We are not dissenting in principle from that. Indeed, I think we accept the principle, but we think the Bill as currently drafted is not likely to achieve their aim. As currently drafted we think we will find ourselves selling at a discount in price below the historic cost.

(Mr Johnson-Smith.) I do not know if you would think it appropriate at this stage, Chairman, or if you would prefer to wait, to ask the experts here today to elaborate and to explain perhaps in more detail the estimates that they have made, the projections they have made, about the long term financial implications of the sale of council dwellings. So far as we are concerned, I think, this matter has arisen at every time we have talked to anybody but it may not be appropriate now to do it.

(Chairman.) I think we have discussed the financial appraisal in fair detail. I was going to ask a summary question.

(Mr Johnson-Smith.) This is the long term financial implications.

(Chairman.) I was about to ask that question. You go ahead.

Mr Johnson-Smith

557. Thank you, Chairman. As you say, Gentlemen, in your document on page 9<sup>\*</sup> this is in the statement made by the Institute, on page 9 paragraph 6.3 you consider that long term financial implications of the sale of council dwellings cannot be presented as a basis of decision making with any degree of confidence. If you cannot do it I do not know who is going to do it. If it cannot be done at all I wonder if it is really all a bit of a gamble and we come back really to what one's social and political aspirations are in this field and let the finance go rip or, if you do not let it go rip, at least look at the financial implications as you go along with your policy. I have a great mistrust of long term forecasts because I have not met one which has turned out to have any measure of accuracy. Nevertheless I do think it is right as a mental exercise, as you have embarked on it, to tell us a little bit about what you think is the likely gain or loss in financial terms, should a council wish to sell a property. Could someone tell us a little bit about this Table IV<sup>\*</sup> on page 11? How realistic is it? Which is the most realistic assumption? What, in the end, is your conclusion from it?

(Mr Bucknall.) The conclusion at the end of Table IV<sup>\*</sup> on page 11 is that we hesitate

to have any confidence in any long-term assessment, because according to the variety of different assumptions and circumstances you get a variety of different answers. Realising that this is the nub of the whole exercise, we have spent a lot of time in the Institute, in the Housing Working Party, discussing this. We did reach the unanimous conclusion in our working party — which was endorsed by the Institute — that the findings that we put in 6.3 are correct (in other words, any long-term assessments are speculative), and we are very reluctant to go beyond that. But if it was a question of discussing how we tackle individual cases, Mr Tomlinson I am sure would be pleased to go through them line by line.

Chairman

558. I doubt if that would really be very helpful to us. What I think Mr. Johnson-Smith was really asking you was whether, notwithstanding the difficulties of making assumptions and the number of variables involved, you have a gut feeling about what is likely to be the overall effect.

(Mr Bucknall.) We can say with confidence that the short-term first-year effect is that there are likely to be gains; in later years, it is more and more speculative. I think the phrase we use is that the findings are so conjectural as to be speculative. I rest my case on that. I do not know if my colleagues wish to add anything.

(Mr Webster.) I suppose there is a greater likelihood that in the long term there will not be the financial advantages that one can see in the short term, but it all depends upon one's assumption about such things as the rate of inflation, the level of interest rates over the years, the appreciation of site values and construction costs. There are so many factors involved. Mr Stringer says it is like peeling an onion; you peel off one layer, but you have still got an onion.

Mr Winnick

559. Presumably the opportunity of getting a financial gain after the first year will become less though, if council rents do rise beyond the rate of inflation and average earnings?

(Mr Bucknall.) Yes.

(Mr Stringer.) Yes, but it will still exist.

Chairman

560. The figures in Table IV<sup>\*</sup> do not take account of the cost of mortgage interest tax relief?

<sup>\*</sup>Not printed

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[Mr Winnick Contd.]

(Mr Bucknall.) No.

561. Neither does that table take account of the increase in mortgage interest tax relief if the dwelling is sold after the end of the pre-emption period. We know how the appraisal deals with that assumption, but, taking those factors into account, would you wish to give any gut reaction to the probable overall cost or gain over a 20-year period?

(Mr Bucknall.) I think it is too ephemeral (if that is the right word). It is very difficult. We limited our enquiries to the effect on the local authorities. We did not attempt to bring in the total global sum. Dependent on the rent levels, so the end-product would be affected. If rents do consistently rise a lot faster than earnings, then your financial benefits of sale diminish proportionately, you see, but the same could happen on any of these other factors.

Mr Johnson-Smith

562. I have not analysed this as carefully as I intend to, but it has been suggested that it is a bit of a financial leap in the dark. We are all capable of doing this in our own personal lives, but before we take the financial leap we at least have some idea that there is perhaps light at the end of the tunnel, that it is not too big a risk. Is this a risk that is comparable with backing a horse, or are we entering a period of such financial uncertainty that no prudent tax adviser or accountant would advise an authority to do this, because it is too speculative, it is too unknown? Is this the assumption, or is this the conclusion one might reasonably draw?

(Mr Bucknall.) How can one draw any conclusions when we do not know? One tenant might have had 3 years' tenancy to qualify for a 33 per cent discount, his next-door neighbour might have had 20 years' tenancy to qualify for a 50 per cent discount. The amount you are going to get from your properties for sale would be much less in the second case. There are a whole range of factors involved. We honestly cannot find a way in which we can give a firm lead on this. We think that we are doing a better public service by saying this, than to come out with something which we are not prepared to stand by.

Chairman: I think we must accept that.

Mr Miscampbell

563. One of the variables, of course, is the discount?

(Mr Bucknall.) Yes.

564. At various stages you seem to question the whole idea that we should give a discount at all. Is that really so, as regards discounts for length of tenancy? Perhaps you would help us about your views on discounts? What is the correct discount system? What is the correct approach to this?

(Mr Bucknall.) Local authorities have been giving 20 per cent discounts to a sitting tenant ever since we have been selling houses, and we accept that. We have regarded that as a *quid pro quo* for the fact that a sitting tenant pays less than market value. I think this is fair. But what we cannot quite follow is why, if a person has been living in a house for a much longer period, he should get a higher discount. We thought we would take the view that the discount is related to the fact that there is a secure tenancy, not to the fact that the tenant has been in tenancy for a particular period of years. To carry it to its conclusion, if a tenant has been living in a house, say, for 30 years, he must be much nearer giving the tenancy up than a man living in a house for 3 years.

565. If a private landlord has got a dodgy old tenant, he is not likely to offer him a much bigger discount, but to hang on and hope that Nature will take its course, is he not?

(Mr Bucknall.) Yes. We are not challenging that this is a political decision. We felt, as an institute of public finance, that we ought to be on record for our successors as saying that we think this discount linked with the period of tenancy must be a political decision on social grounds and not on financial grounds. That is our stand on that.

(Mr Webster.) I think you can link it to the previous question. If you cannot forecast with certainty the long-term financial consequences of selling council dwellings, how do you know whether or not it is a good thing to be offering discounts and how much discount you should be offering?

Mr Winnick

566. This really brings me to one point you make in your evidence. What emerges from what you have told us and, indeed, from your written evidence is that it is very unclear whether there will be any financial gain or not, and that it is extremely unclear, to say the least. Therefore, I suppose one would fall back on the argument that there is perhaps a social gain. This is the Govern-

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[Mr Winnick Contd.]

ment's argument, as you know. Yet in your evidence, understandably, you have emphasised the financial aspect, as one would expect, since you are the experts. However, you do in one respect deal with the social position, and we have asked you questions on that. That relates to the difficulties of selling accommodation where elderly people are living. Have you looked at the wider social implications, or do you consider that that is outside your remit?

(Mr Bucknall.) We have had quite a job in producing all the evidence, because we are all working treasurers and have day-to-day jobs as well. We have not gone too far beyond the financial aspects. We dealt with certain social things as well, but mainly we have concentrated on finance.

567. You dealt with elderly people in paragraph 3.1, because you thought that that was the most glaring example, did you, of the difficulties?

(Mr Bucknall.) We thought this could have big consequences as regards the replacement package.

(Mr Stringer.) It does enter finance, in that within the HIP process there has to be produced a housing strategy. That housing strategy, after the Housing Bill has been enacted, will need to take a view of how the authorities will need to meet housing need in the area, in view of the rate of sales actually taking place, and what one does with perhaps an increasing or declining demand from elderly people for housing by the local authority. That is where the social and the financial begin to get together. A view will have to be taken on scarce resources: what do you do to get the high priority that may come through from the impact of the sales programme?

568. Of course, there would be all kinds of financial implications, would there not, if an increasing number of council houses were to be sold under the Act and there was no replacement in the rented sector, be it in the public or the private sector.

(Mr Stringer.) Yes, indeed.

(Mr Bucknall.) This is a point we have recognised by saying we think the policy of compulsory sales must mean that there will have to be some replacement dwellings.

Chairman

569. We have had evidence from Skelmersdale that in the case of 41 per cent of the dwellings a discount of 50 per cent would reduce the net mortgage payments

below the level of rents. Leeds has said that they were close to that position in the case of some of their properties. Do you think that is quite an exceptional situation or would you expect to find it occurring in a substantial number of areas? If so, would you think it is liable to cause problems in future if a tenant buys because he is actually going to find it difficult to deal with the maintenance in the future?

(Mr Bucknall.) I am surprised to hear what you say. I would not have thought this was a very common experience. In fact, I have not heard this before. I suppose it could happen where you get areas where the rents are relatively high and where the selling price of houses in the area happens to be historically low. I doubt if it is very common.

(Mr Tomlinson.) It does not accord with any experience that I have. I think that is quite an exception.

(Mr Stringer.) Our recent check on newly built property shows that it would be twice the rent. Clearly, even in the average, it would be above one.

(Mr Webster.) You mentioned Skelmersdale. Presumably this is the development corporation where they have not got a quota of older properties which helps to equal out the rent situation. I think rent levels in development corporations do tend to be higher than for equivalent properties in local authorities.

570. I believe West Lancashire District Council gave the same.

(Mr Bucknall.) This is very interesting. We have not heard this before. I believe the Chairman mentioned the point about maintenance in these circumstances. I would not have thought personally, off the cuff, that this would have had much effect on the maintenance. We would hope — the theory is anyway — that once a person becomes an owner/occupier he looks after the house with maximum advantage and if necessary will transfer funds from elsewhere. Normally, with what we call "section 43 loans" — ordinary housing advances — we do not find any trouble there with people maintaining their properties.

Mr Winnick

571. Coming back to what you said a moment ago, it has been suggested — and I am not sure if you have dealt with it in your paper — certainly by other witnesses that it will take about four or five sales at least to build a new dwelling in the public

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[Continued]

[Mr Winnick Contd.]

sector. Would you agree with that sort of rough estimate?

(Mr Stringer.) You are indicating the flow of capital cash — that, for instance, you then build. The Ministers have made some interesting suggestions recently in a speech of what use can be made of that capital. My authority's experience is the capital receipt produces immediate cash whether from savings or building society mortgages or from other things between ten and 15 per cent of the sale price. It would require more than four in that case.

(Mr Tomlinson.) Yes. I think that it has to be seen that there is a tremendous amount of money coming in right on sale. This is the general experience: 15 to 20 per cent. In general terms I think if you are looking at a replacement building then you have all the conceptual tables that go in for the original appraisals: ie, you have a capital sum; you have loan charges on that sum; you have rent income and so on. So the effect in financial terms on a replacement building is probably a marginal effect. If the point is whether the capital is there at the beginning, from three or four sales, to provide a replacement building then it is probably of that order — three or four sales to provide the capital — but in terms of the revenue cost of operating it the replacement building in the first year together with existing levels of subsidy may well not provide much of a deficit. The profits on the sale in the first year, then, on three or four properties would certainly well outweigh the cost of operating a replacement building.

Chairman

572. We have had considerable evidence that the local authorities have not been able to measure any savings in management and maintenance. I think most of the witnesses who have given evidence to us are doubtful whether there would be any savings at all. Would you wish to revise your assessment that there would be a certain *pro rata* saving in management and maintenance as a consequence of sales?

(Mr Bucknall.) I merely pass a general observation, as a Treasurer, that if I sell half my stock of council houses I would expect some savings on maintenance and management, otherwise I shall be in trouble.

573. It does rather depend on the proportion you sell.

(Mr Tomlinson.) I think one has to divide the general running costs of a property as between the supervision and management

of it and the maintenance of it. Clearly, if you have sold a property you no longer have to maintain that property. It may be that you are using that money to maintain other properties or that you are using it to maintain your property, perhaps, at a higher level than you did before, but for the one-off property you would do your calculations on your cost for running your general budget for your housing account on the number of properties that you own, and there should clearly be a fall-back in your maintenance costs unless you are improving your other properties. Now, on supervision and management, though, I think we have to look at various levels here. If you sell one property then you are not going to save anything on supervision and management. If you sell 500 then clearly you ought to be saving some. In costing terms it is one of the semi-variables that clicks over when you reach a particular figure. You say "Right, at that level we can now reduce. We can now close a depot at a further level". There are going to be various levels at which you dispose of your stock at which supervision and management costs will decline.

(Mr Miscampbell.) Could I return to the previous question which elicited a very interesting answer? It is something we have asked a number of people and had varying answers to. I want to make sure I have got it right. If we are dealing with a replacement house, that house would of course be built no doubt with borrowed money. What you say is that, say, after three or four sales the initial end moneys coming in from those sales would be quite adequate to finance the borrowing and the building of the replacement house.

Mr Winnick

574. Can I add to that a supplementary? Southwark was more pessimistic. They took the view that it would need about 13 sales to justify a new building.

(Mr Tomlinson.) This will vary with area and the resources of the people who are buying. Certainly on current valuations in London of round about £20,000, on the outside of London — perhaps £24,000, that sort of region — if you are selling two properties and the personnel are getting, say, the average discount of 30 per cent for property sales you are looking at £48,000 less a 30 per cent discount. I wish I could do these sums. If we are looking, then, at £30,000, say, that is the sort of money that would in fact build a house at the current time.



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Mr Miscampbell

575. How would you treat the flow of money coming in with the mortgages being repaid subsequently? They would be able to contribute to the continuing payment for this replacement house, would they not?

(Mr Tomlinson.) I think that, to a great extent, the cost of the replacement house then stands on its own. You are charging a rent level at a higher level, because it is a new house, it is attracting subsidy, it is attracting the normal subsidies on the debt charges, assuming they continue. Inevitably there will be some sort of deficit. I say "inevitably"; it is likely that there will be some deficit on the running costs of the house, but a marginal one. So the new property would stand on its own.

(Mr Bucknall.) The use of capital receipts would not really affect the financing of the new house. It is money which has got to come from somewhere, and if you are using it for financing new houses you are depriving yourself of interest on it. So I do not think this is a terribly significant argument. The Minister of Housing made a very detailed speech on using capital receipts on the sale of council houses not long ago, and he did say various things that can be done

with them, including using them for non-housing purposes.

Chairman

576. Thank you very much indeed. We are very grateful to you for coming. May we trespass on you still further by saying that if, after considering what you have said to us, you come to realise that there are points which you would like to have made, or if there are points you would like to make now, in addition to what has been said, we would be glad to hear them. Otherwise, perhaps you could send in any supplementary evidence in writing. If, after we have consulted with our advisers, there are any points we would like to ask you, we shall trespass on you some more.

(Mr Bucknall.) Thank you very much. May I say that we shall wait with great trepidation to see what we have actually said. We shall certainly have a meeting and see if we can be of any further help. We are sorry that we cannot be any more positive on some of the tricky issues you have been discussing.

(Chairman.) We appreciate that. Thank you very much indeed.

TUESDAY 13 MAY 1980

Members present:

Mr B Douglas-Mann, in the Chair

Mr N Scott  
Mr J Sever

Mr M Thornton  
Mr D Winnick

### Sale of Council Houses

The Environment Committee, of which I am Chairman, was set up by Order of the House of Commons on 25th June, 1979, as a Select Committee to examine the expenditure, administration and policy of the Department of the Environment and its associated bodies. We are currently looking into the issue of the rented housing sector and will first take evidence on the financial and social implications of the sale of council houses. I am writing to invite your written evidence about the likely effects of the sale of council houses. I realise that the preparation of evidence of this kind is a troublesome task, but I hope that you will feel able to undertake it.

While a general statement of your views would be welcome, it would be very much more valuable if your evidence could be related to the specific questions contained in the enclosed Questionnaire. I have also written to a number of housebuilders on the issue of how council house sales affect the supply of and demand for private housing. I am enclosing a copy of that questionnaire also in the hope that you may feel able to answer some of these questions as well.

When we have considered the written evidence we shall invite a number of local authorities and other organisations to give oral evidence to the Committee. If you would be willing to give oral evidence I would be grateful if you could indicate this when replying.

Although I realise that the time available for preparing your replies is short, it is very important that the Committee should complete its enquiries quickly and we hope that you will be able to reply by the 17th March. Evidence should be sent to:— *The Clerk to the Committee*

18 February 1980

Bruce Douglas-Mann

### ANNEX 1

#### Questionnaire

We are particularly interested in your views and evidence on the likely impact of a sharply increased council house sales programme upon the cost and availability of mortgage finance. For the sake of speed and ease of reply, we shall be pleased to receive your comments in the most convenient form for you to compile. As a guideline, however, to the main direction of our analysis so far, we list some relevant questions for consideration below:—

- (i) What policy approach would you expect the building society movement/your own society to take towards funding council houses purchasers. What proportion of the council house sales do you expect the movement to fund?
- (ii) We appreciate that this funding could take a dual form: namely, the use of money from building society savings accounts by council house purchasers as a deposit, plus the advancing of loans by societies to purchasers. Can you make any approximate assessment of these two likely effects?

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[Continued]

- (iii) The recent "STOW Report" on mortgage finance from the Building Societies Association concluded that the building society movement can fund housing demand from its traditional sources if it maintains a competitive rate structure. Does this mean a permanently higher real level of mortgage rates, relative to other rates in the economy, in the future than we have been accustomed to in the past?
- (iv) What view have you formed of the likely extent of council house sales over the next year, the next 5 years and the next 10 years?
- (v) To what extent are council house sales likely to be to tenants who would otherwise have sought Building Society loans for purchases in the private sector?
- (vi) What impact would you foresee upon the cost and availability of mortgage finance if council house sales increased to 100,000, 250,000 or 500,000 per annum? What would be the difference if any, if Building Societies were asked to fund (a) 10 per cent or less of these, (b) half of these, (c) all of these?
- (vii) Do you agree with the view in the DOE's Appraisal Document that the demand for mortgage finance on the resale of council houses is likely to arise on average only after 30 years? What is your own estimate of the size and rate of growth of this source of demand for mortgage funds?
- (viii) The BSA has set out the case that loan finance for the purchase of existing dwellings does not use real resources. Does this argument apply to a sharp increase in building society funding of council house sales? Could you consider your reply in the context of the provisions of the Housing Bill and the arrangements for local authority use of net capital receipts?
- (ix) The likely take-up of council house purchase rights will depend greatly upon the size of the differential between the tenants' current/prospective rent payments and the purchasers' immediate/prospective mortgage repayments. Have you carried out any studies of this differential and the degree to which it affects potential purchasers' decisions? Further, do you foresee that the prospect of a permanently higher-real mortgage rate (see iii above) would affect such decisions?
- (x) Do you expect that some additional council house sales could be funded by other financial institutions under equity sharing schemes? What are your views on the viability of such a proposal, both for the borrower and lender?

## MEMORANDUM FROM THE BUILDING SOCIETIES ASSOCIATION

### The Sale of Council Houses

This memorandum sets out the answers by The Building Societies Association to the questions accompanying the letter from the Chairman of the House of Commons Environment Committee dated 18 February 1980. The numbers relate to the questionnaire.

- (i) Societies are unlikely to accord special allocations of finance to tenants seeking to purchase council houses. However, those local authority tenants who are building society investors can expect to receive the same preference for loans as building society investors generally.

A recent market research exercise conducted for the Association ("Building Societies and the Savings Market", The Building Societies Association, 1979) showed that 24 per cent of all council tenants were building society investors. Of those, 21 per cent spontaneously said that they opened accounts to improve their chances of obtaining a mortgage; the proportion increased to 33 per cent on prompting. Put another way, 8 per cent of council tenants (500,000 in round terms) had building society accounts opened initially to improve their chances of obtaining a mortgage. There is no way of knowing how many of these tenants wish to purchase their existing homes.

It is impossible to make a precise estimate of the proportion of council house purchases the movement might fund. Up to now, the proportion has been under 10 per cent. Factors which will influence the proportion in the future include—

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[Continued]

- (a) The supply of mortgage funds in relation to demand. The greater the availability of funds the more purchases of council houses will societies be able to finance.
  - (b) The attitude of local authorities. Some local authorities may steer applicants towards building societies while others prefer to make the loans themselves.
  - (c) The effectiveness of Government publicity in persuading purchasers of council houses to apply for building society loans.
  - (d) The differences, if any, between the terms of building society loans and those offered by local authorities.
- (ii) In the recent past, about 30 per cent of the finance for the purchase of council houses has come from sources other than local authorities. A reasonable guess is that 10 per cent might have come from building society and other loans and the remaining 20 per cent, cash. Some of this cash will no doubt have been withdrawn from building society savings accounts but there is no way of knowing how much. It is possible that those buying with the help of building society loans will find a greater proportion of the purchase price from building society savings accounts than those buying by loans from other sources. Those buying with building society loans may find 10 per cent of the purchase price from building society savings accounts.
  - (iii) The maintenance of competitive interest rates does not imply that there will always be a higher mortgage rate relative to other rates than there has been in the past. Societies' rates have traditionally been on a par with other short-term interest rates and for most of the post-war period societies have met reasonable mortgage demand. However, their competitive position has weakened at times in recent years. Currently, the building society mortgage rate is probably about three percentage points below what it would be if "competitive" rates were being paid for investments.
  - (iv) The Association is not in a position to form a view on the likely number of council house sales. The highest annual figure to date has been 62,000 in 1972. At that time the mortgage rate and house prices were lower in relation to council rents than is now the case; however, more generous discounts are now available.
  - (v) Market research conducted in 1977 by the British Market Research Bureau for the National Economic Development Office ("Housing Consumer Survey", NEDO, 1977) suggested that 25 per cent of council tenants expected to be owner-occupiers within 10 years. It is not known how many of these tenants wish to purchase their existing homes or how many wish to move away to private sector houses. The evidence suggests that council tenants buying into the private sector tend to be young (in 1979, 48 per cent of former council tenants who obtained building society loans, the vast majority of whom bought private sector houses, were under the age of 30 and only 17 per cent were 45 or more). By contrast, the evidence suggests that council tenants who buy their council houses are relatively elderly and would probably not otherwise buy private sector houses.
  - (vi) The table below shows the amount of money that would be required by building societies to finance stated levels of council house purchases. It is assumed that —
    - (i) the average disposal price is £8,400 — (the figure assumed for 1980/81 in the "Appraisal of the financial effects of council houses sales")
    - (ii) the average advance is 80 per cent of the average disposal price.

Building Society Lending Requirement for Council House Sales, 1980

Percentage Financed by Building Societies	Number of Sales		
	100,000	250,000	500,000
10%	£ 67m	£ 168m	£ 236m
50%	£336m	£ 840m	£1,680m
100%	£672m	£1,680m	£3,360m

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[Continued]

These figures should be compared with the current level of building society lending. On present trends, lending in 1980 will total £8,000 million although this is well below the long term "trend" level which, for 1980, should probably be about £10,000 million. However, it is not valid to compare gross building society lending with lending to finance purchases of council houses. About 30 per cent of gross building society lending is, in effect, existing finance being recycled to the same borrowers to enable them to move house. The figures in the table above are therefore more realistically compared with estimated 1980 *net* lending of £5,600 — £7,000 million.

The financing by building societies of the purchase of council houses will mean either fewer loans for other house buyers or higher mortgage interest rates (or both). A precise answer to the Committee's question cannot be given. It would depend upon the policy adopted and this could have almost infinite variations in its impact.

An unquantifiable effect of building society lending for council house purchases is that the consequent reduction of the PSBR should result in lower interest rates in the economy generally and this could partly counteract the other effects.

- (vii) The Appraisal Document does not state that the demand for mortgage finance on the resale of council houses in only likely to arise on average after 30 years. It is not possible to estimate the demand for mortgage funds to finance the resale of council houses. However, an important point is that resales merely involve the exchange of assets and liabilities between vendor and purchaser; the building society loan plus the cash deposit provided by the new purchaser is received by the vendor and is ultimately (perhaps after several transactions) available for investment in a building society or other financial institution.
- (viii) Building society lending to finance the sale of council houses cannot, in itself, materially affect the use of real resources. The second part of the question can effectively be answered only by local authorities and the Department of the Environment who may be in a position to estimate the extent to which local authorities are likely to use net capital receipts for real purposes.
- (ix) The gap between mortgage repayments and rents will undoubtedly influence the demand for council house purchases. The gap is, of course, crucially dependent on the mortgage rate. The following table shows weekly mortgage repayments on a loan of £6,700 (80 per cent of £8,400 — see the answer to question (vi)) for various mortgage rates. The figures are shown net of tax relief in the first year and after option mortgage subsidy.

Mortgage Rate %	Weekly Repayments on Loan of £6,700 over 25 years	
	Net of Basic Rate Tax Relief in First Year £	After Option Mortgage Subsidy £
9	9.65	10.37
10	10.34	11.18
11	11.06	11.77
12	11.80	12.60
13	12.56	13.23
14	13.34	14.10
15	14.15	14.75
16	14.96	15.86
17	15.79	17.01

Mortgage repayments are not, of course, the only additional cost that council tenants purchasing their houses will have to meet. The Family Expenditure Survey shows that in 1978 council tenants spent an average of £0.58 per week on repairs, maintenance and decoration while mortgagors spent £2.88. Thus a council house purchaser is likely, in addition to having to meet mortgage repayments, to pay an extra £2 a week on repairs, maintenance and decoration as well as having to spend time on these matters.

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In 1980 the average weekly unrebated council rent seems likely to be £8. Thus, after allowing for additional expenditure on repairs, etc, a council house purchaser in 1980, paying a 15 per cent mortgage rate, would be likely to have his weekly outgoings doubled. However, the absolute size of the increase is relatively modest and it can be argued that a council tenant purchaser will move from paying a very low proportion of his income in housing costs to paying only a modest proportion. A decline in the mortgage rate to (say) 12 per cent would make the mortgage repayments even more modest. (A purchaser in the private sector buying an average priced house in 1980 with an 80 per cent advance at 15 per cent would be paying nearly £40 a week net.) It seems likely that the very low prices at which council houses will be offered will produce mortgage repayments of fairly modest levels even with a 15 per cent mortgage rate although the percentage increase in weekly outgoings may be such as to deter some potential buyers. A reduction in the mortgage rate or an increase in council rents above the increase in incomes will, of course, make council house-purchase more attractive.

There is no information readily available on the average sale prices of council houses over the last decade but it may be helpful to look at the history of council rents in relation to initial mortgage payments on houses bought in the private sector. The following table shows gross mortgage repayments over 25 years on an 80 per cent advance on an average priced house at the average mortgage rate prevailing during the year and average unrebated council rents in England and Wales.

Year	Average Initial Mortgage Payments (Gross) on 80 per cent Advance on Average Priced House £	Average Council Rent £	Mortgage Repayments/Rents
1970	408	112	3.46
1971	483	130	3.72
1972	646	152	4.25
1973	950	186	5.11
1974	1,078	197	5.80
1975	1,159	223	5.20
1976	1,242	255	4.87
1977	1,328	289	4.60
1978	1,388	307	4.52
1979	1,783	338	5.28
1980 (est)	2,932	416	7.05

Sources: BSA Bulletin No 19, Housing and Construction Statistics No 30, and BSA estimates.

The absolute size of the ratio is not significant (because, for example, the mortgage repayments are gross and council tenants do not pay the average house price) but trends in the ratio are. It may be possible to deduce from the table that the ratio of rents to likely mortgage repayments on council house purchase could be exceptionally high in 1980 and thus with the current high mortgage rate the volume of council house sales is likely to be "below trend".

Changes in the mortgage rate can cause a significant change in the position. The following table shows the ratios for 1980, as in the previous table, for alternative mortgage rates.

Mortgage Rate %	Ratio
10	5.02
11	5.41
12	5.81
13	6.21
14	6.63
15	7.05
16	7.47
17	7.90

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[Continued

It will be seen that even with a significant reduction in mortgage rates the ratio of mortgage repayments to council rents will remain significantly above the levels of the early 1970s.

In summary, the current high mortgage rate may be a deterrent to council house-buyers. The adoption of competitive interest rates by societies would not change the position significantly. This factor is less important than either the general level of interest rates or the level of council rents.

- (x) It is not possible for building societies to indicate the extent to which other financial institutions would be prepared to finance the purchase of council houses under equity sharing schemes or in any other manner. From the point of view of building societies there are many legal, practical and marketing problems inherent in equity sharing schemes. It is believed that the legal problems will be overcome by the provisions contained in the Housing Bill but further attention will need to be given to the practical and marketing aspects.

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[Continued]

## Examination of witnesses

MR LEONARD WILLIAMS, Chairman; MR ALAN CUMMING, Deputy Chairman; MR NORMAN E GRIGGS CBE, Secretary-General; and MR MARK BOLEAT, Deputy Secretary, of The Building Societies Association, called in and examined.

## Chairman

577. First of all, gentlemen, may I thank you for coming and for the preparation of the written evidence which you have provided for us in advance. May I apologise for having to trouble you. It probably will be helpful, although I think most members of the Committee probably know most of you, if you would formally introduce yourselves, before we start to discuss the evidence.

(*Mr Williams.*) Thank you for that greeting. My name is Leonard Williams. I am for the time being Chairman of the Building Societies Association and simultaneously Chief Executive of Nationwide Building Society. On my left is Mr Alan Cumming who is the Deputy Chairman of the Association, and who happens also to be the Chief Executive of the Woolwich Equitable Building Society. On my right is Mr Norman Griggs, Secretary-General of the Building Societies Association. On my far left is Mr Mark Boleat who is a Deputy Secretary of the Association.

578. Thank you very much. May I start off by asking some questions about the expected involvement of the building societies movement in the funding of council house sales? You have told us that you are at present funding around 10 per cent of these. You say in your evidence that the attitudes of local authorities and the effectiveness of central government publicity are likely to determine the way in which that proportion will change in the future. We have been receiving evidence from local authorities which seems to suggest that they are going to have every possible incentive to encourage building society funding of sales. Central government has made its own wishes very clear on this point. Can you tell us whether you have as yet experienced any increased pressure of demand for the funding of council house sales, since the Housing Bill was published, or since the discussions about what the Housing Bill was going to provide have been in the public ear?

(*Mr Williams.*) May I say first that although I obviously will be the prime respondent to your questions, I would hope that you will permit Mr Cumming and the others to intervene where they have points

to make, or where they have better knowledge than myself on a particular issue. First of all, on the question of the proportion of council house sales which building societies have been financing in the recent past, I think that our written evidence actually said that the proportion has been under 10 per cent. We do not know the precise proportion, but from specific inquiries which have been made in certain local areas one has reason to believe that it is probably somewhere around 6 to 8 per cent, of that order. We have said in our evidence that the proportion which we may finance in the future will depend upon four things. Firstly, there is the supply of mortgage funds in relation to the demand. Obviously, the greater the amount of funds which building societies have available to lend, the more likely it is that we will be able to finance a higher proportion of council house sales. Secondly, we have said that it depends upon the attitude of local authorities, and for reasons which I think are peculiar or local to particular societies. Some authorities may be anxious to encourage applicants to come to building societies; others may prefer to handle the mortgages themselves. Thirdly, there is the effectiveness of government publicity. I suppose one might say that if the Government were to advertise strongly that finance is available from building societies, this could influence many tenants to come to building societies. Whether the money would be available then to lend is, of course, dependent upon other factors. Then lastly, we have said that applicants will be influenced by the differences (if any) between the terms of building societies and those offered by local authorities. There was a final part to your question, which I have forgotten for the moment.

(*Mr Cumming.*) You asked for the recent experience. The position is mixed. These are early days yet for my own society and for two of the larger ones that we asked, and no discernible trend has emerged. However, your experience, Mr Williams, was different.

(*Mr Williams.*) That is certainly true in England and Wales, but my people tell me that there has, in recent weeks, been a marked upturn in demand in Scotland where the Scottish Office has been circular-



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ing local authorities in Scotland, I understand, ahead of the Tenants Rights (Scotland) Bill. This has given rise to quite a marked increase in demand in our Scottish Nationwide offices.

579. Can you tell us whether the Home Purchasing Assistance Act led to any significant change in the pattern of building society investment? By that I mean the Labour Government's measure in 1978.

(Mr Williams.) I think that the number of accounts which were opened under that scheme is remarkably few. I do not know the total for the whole of the movement, but it could possibly not be more than 20,000.

(Mr Boleat.) I think that, grossed up, it might be more than that. Recently it has certainly been running at no more than 5,000 a quarter, and in the first year it was about 60,000.

Mr Scott

580. The suggestion has been made that you might make some special provision within your overall lending, for the sale of council houses. In your evidence you say that the societies are unlikely to make such special allocations of finance to such tenants. Have you really set your minds completely against a proposal of that sort, or are you still investigating the possibilities of it?

(Mr Williams.) I think we have reached a conclusive view that it would be inappropriate for us to set aside a special allocation for this purpose. That view was conveyed to the Secretary of State at a very early meeting when this matter was discussed. Our view is conditioned by the extremely difficult public-relations position in which we would find ourselves if people who had no homes at all (certainly no homes of their own), and who had been long-standing investors with building societies, were unable to secure loans to purchase their own homes, while other individuals who were already housed were provided with finance to purchase the housing in which they already were living. It seems to me that, faced with a public elaboration of that fact, the position of a building society which had agreed to lend to a tenant of a local authority house, in preference to lending to a person who wished to buy a house for the first time, would be untenable.

Mr Winnick

581. Could I follow up on that? As I

understand the position, the Government intends to spend about £1 million in giving an advertising agency the opportunity of promoting council house sales. I think that the campaign starts somewhere in the summer months. We can perhaps have differences of opinion as to how far there would be a response, bearing in mind the economic circumstances and the mortgage rate. However, say there was a very large response and one found that quite a number of council house tenants — far more than the number one expects at the moment — wished to buy. How far do you think building societies would be able to respond accordingly?

(Mr Williams.) They can only respond in relation to the funds which they have available to lend, and I think one has to bear in mind that certainly for some months now, if not for a longer period than that, the demand for mortgage loans has been well in excess of the funds available, and to stimulate demand in such circumstances could not of itself produce the funds to satisfy that demand.

582. Do I take your answer, Mr Williams, to mean that if there were a really large response arising from the Act and the advertising campaign and all the rest, it is quite likely that a lot of council tenants who say: "Yes, we do want to buy," will find they cannot get a mortgage from your associated firms or societies?

(Mr Williams.) I think that is extremely likely. After all, there are many individuals in the private sector now who cannot get mortgages from building societies. May I make the point that the Bill, of course, does provide not only a right to buy but a right to a mortgage from a local authority, so that their demand would be satisfied.

(Mr Griggs.) But many council tenants are saving with building societies, many of them for the purpose of buying a house. Whether they are going to buy a council house or enter the private sector one does not know, but if they were stimulated by advertising they would come to the building society and the building society would have to look at them in the normal way as a member of the society.

583. Have you yourselves any comment on this advertising campaign? Do you want to say whether you feel it is right to stimulate demand in that sort of way as if you were selling food or whatever?

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[Continued]

[Mr Winnick *Contd.*]

(*Mr Williams.*) I tend to feel there are two issues involved in the sale of council houses. One is the question of increasing owner-occupation by enabling local authority tenants to buy the houses in which they are living. That is one issue and one which is easily accomplished by the local authority providing the mortgage on the house. The second issue is how far the purchase of council houses should be financed by private capital, by building societies, which is a totally different question. Therefore, one can say that if one is anxious to see a growth in owner-occupation, if one is anxious to see local authority tenants being given the right to become home owners, then there is every justification for a publicity campaign. However, that in itself will not and cannot stimulate a supply of private sector funds in order to finance those purchases. Do you recognise that there is a difference there?

584. Yes, I understand that. Will building societies in effect examine the credibility of those wishing to buy who are already council tenants as they do with someone who is asking for a mortgage who is not a council tenant?

(*Mr Williams.*) Yes.

585. Do the same criteria apply?

(*Mr Williams.*) As Norman Griggs has said, recent inquiries have revealed that something of the order of 24 per cent of people living in council houses are investors with building societies and there is strong reason to believe that a substantial proportion of those have opened accounts with building societies with a view to securing a preference in obtaining a building society mortgage, but the extent to which those particular individuals would wish to purchase local authority houses or whether their desire is to purchase houses which are in the private sector is totally unknown and we have no idea whatsoever. With regard to what you call credibility but which I perhaps might describe as creditworthiness, most certainly the same criteria would be applied to a local authority tenant purchasing his house as to any other individual. We would relate the loan which was made to him to his ability to repay and that would be to have regard to his income and all other circumstances relating to the house.

Mr Scott

586. I think later we will come on to the effect on the public sector borrowing

requirement of all this, but obviously the Government would welcome anything the building societies could do, as it were, to smooth the path towards council house sales. There is the local authority support scheme. I am not quite sure whether it is a BSA scheme or individual societies that have it. Is there any way in which that could be developed to help or is that quite out for council house sales? Secondly, there has been a suggestion put that building societies might actually finance the total borrowing requirement of a council house tenant but then the local authority might be prepared, say, to lend 80 per cent of that amount to the building society which would be repaid over a period of four or five years. Again, it would help to smooth the path of this policy leap. I am wondering what sort of reaction you have to either of those two ideas?

(*Mr Williams.*) The local authority support scheme, or the building society support scheme as I think it is called by the local authorities (who is being supported is not very clear; we do not agree it is us!) provides that the building societies, indeed I think it is the top 17 building societies, the largest 17 building societies, make available between them something like £400m a year to satisfy mortgage demands from individuals nominated by local authorities, and it is intended to satisfy the demand of people who would normally have received loans from a local authority. This has worked reasonably successfully, although one must say that it is shrouded in bureaucracy.

587. Can I interrupt. Has it caused any of this unfavourable publicity that you mentioned earlier might result from pre-empting a certain chunk of your funds for financing council house sales?

(*Mr Williams.*) Yes, it has. There have been quite a number of complaints received by building societies in various parts of the country about the use of the local authority support scheme for what is called queue-jumping, and there is evidence, and it is entirely anecdotal, I must admit, that there are some estate agents who have been using the scheme deliberately as a means of securing sales of houses to individuals who in the normal course might not have been able to buy. This is received very unfavourably by the individuals who have been saving with building societies for a long period of time with the express object of obtaining a mortgage to buy a house but see themselves being unable to obtain a mortgage because

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of the general shortage of funds, and yet another individual possibly buying the house next-door is able to get immediate access to a loan as a result of this local authority support scheme. One must be fair and say probably the extent of that abuse of the scheme is fairly modest. Nevertheless it does go on and there have been a number of complaints. This is one of the reasons why the adoption of such earmarking on a very much larger scale would be, in our view, uncontemplatable. With regard to the second scheme, this I must confess is novel to me. I have not heard of that before, but building societies have four or five brilliant solutions to their problems thrown at them each week.

(Mr Griggs.) Are you referring to the one put forward by the Abbey?

588. That is an idea.

(Mr Williams.) That certainly has been put forward by a particular building society. You put it in different terms, I am sorry, but I recognise it. That certainly is one which I understand has been discussed by the Abbey National Building Society with a number of local authorities and, which has resulted in some interest being shown by some local authorities in the scheme. It has not been discussed yet by the Council of the Building Societies Association and I cannot give you any indication of what their reaction or the reaction of individual societies might be.

Mr Sever

589. I readily accept what you had to say to my colleague, Mr Winnick, about the creditworthiness, I think your phrase was, of the applicants. However, what we are talking about is lending money against properties, and whilst not wishing to draw you into the argument which I know prevails in some quarters about alleged "red-lining", particularly in inner city areas, unless you do want to talk about that, are we not going to find ourselves probably in a situation where building societies will receive a lot of applications from would-be purchasers of properties against which a lot of your members would have felt reluctant, all other things being equal, to lend money to people trying to buy in the private sector within certain areas, particularly in inner cities, which seemed to be unattractive for lending previously?

(Mr Williams.) With great respect, I think you have introduced two subjects there. In one you have come back to the

creditworthiness point, if I may just for a moment deal with that. While it is true that building society loans are — as are the loans of all other mortgagees — secured on the property, we in building societies have found from long and bitter experience over the years that it is of no help to any individual to lend him money which he cannot afford to repay, and which he will find difficulty in his family life in repaying. It is a sociological fact that many families break up as a result of financial difficulties. Therefore, building societies feel that the sorts of attitudes which they take to individuals' ability to borrow are realistic and founded on many years of experience. That is creditworthiness. Now you talk about the quality of the individual properties. The issue as far as the building society is concerned — and this applies in the private sector, as it will apply in the public sector — is the marketability of the house concerned. The marketability of a property upon which a loan is secured has to be the fundamental philosophy which guides a building society. It is of relatively little interest to a building society for it to know that a Mr Smith is extremely enthusiastic about buying a certain property. That is a personal idiosyncrasy perhaps. What we are concerned with is that if that property comes into our possession, will there be 20, 30 or 40 other people who will buy it for the same price as Mr Smith? Therefore, that is what I mean by marketability. This is what will guide building societies in their lending on any type of property, public or private sector, and it is what guides them today.

590. I am grateful for that response, Mr Williams. I am not seeking to drag something from you which you do not wish to say, that is not my intention. However, do you not think that there might very well be a very real difficulty for a lot of people to find a mortgage for properties which member societies may feel are not really those which are within areas where their marketability is high?

(Mr Williams.) You mean public sector properties, local authority properties?

591. Local authority properties. The property may be quite fair and quite reasonable, but in terms of marketability after may be the society has foreclosed and taken possession, it then is not very marketable in the sense that you meant it earlier.

(Mr Williams.) In those circumstances it

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[Mr Sever Contd.]

would be improper for a mortgagee, a building society which has fiduciary responsibilities to its investors, to lend, because it would be demonstrably unsound security if that property was not marketable. The extent to which this will occur I cannot even guess. It certainly does not follow, however, that because a house is situated in an inner city it is not a marketable property. The demand for that type of house in that particular location, by people who wish to live in that location, may be very great indeed, as was discovered after the Housing Act 1959 when £100 million was made available by the (then) Government to assist in the purchase of pre-1914 properties, and large numbers of 19th Century terraced properties were sold, particularly in northern industrial areas where there was an intense demand to buy these houses (and where there continues to be an intense demand). Those properties are among the bread and butter of building society securities. Therefore, one cannot draw broad lines here, but one has to say that, from a mortgagee's point of view, from a building society's point of view, marketability is essential. There has to be a demand from a number of people to buy properties in that area.

Mr Scott

592. Can I come back really to the essence of this part of the questioning? That is, that the Government have embarked upon this policy initiative. The funds necessary for this transfer of resources will create a problem. Can I ask you in terms whether you see any special ways in which the building society movement can help to solve this problem?

(Mr Williams.) Some months ago we commissioned a study by members of our own association, brought in one or two people from outside, and formed a working party chaired by Mr Ralph Stow who is a past Chairman of the Association, to consider future sources of funds from building societies. Their report concluded that there was only one way in which additional funds could be made available for house purchase (at least, there was only one *real* way). That was through our traditional source in the personal savings sector, and by paying rates of interest which were competitive with other rates. I must say that that report and its conclusions have not yet been adopted by the Building Societies Association Council, and they are still being studied, because evidently the implications of such

a policy are very far-reaching indeed, as the Financial Secretary pointed out in a speech which he made last week. Therefore, the matter will continue to be given careful consideration. But that is certainly a way. There is no simple answer to the production of cheap finance for house purchase.

(Mr Cumming.) Could I answer Mr Scott another way? In terms of financing council houses, there is not a problem. In terms of reducing the central government borrowing requirement, by building societies chipping in their funds, then that may well be a problem. However, with regard to the financing of council houses, there is no financial problem at all. When we have discussed this matter at earlier meetings with people from the Department of the Environment we have asked what might be the likely sale of council houses, what might be the likely take-up and so on, and we have met with silence. So we are unaware as to what is the problem. If someone will tell us what is this other financial problem, then there might be ways of looking at it, but until we know the size of the problem I am afraid we have no answer to it.

(Chairman.) We would wish to come on to the question of the effect of the implementation of the Stow Report in a moment, but perhaps we can deal solely with the financing of council house sales first.

Mr Winnick

593. I want to ask a question about the answer that you gave to Mr Sever. Obviously you will correct me if I am wrong here. Pursuing the point about the ability to buy a house, there seems to be quite a gap between the attitude adopted by the building societies in assessing the income of the person who wants to buy (and presumably his wife as well), and the attitude of the Government in the Housing Bill, that says, in effect, that anyone who is a council tenant has a right to buy, but the question of circumstances is simply not taken into regard. For example, I think that problem may well arise, as you yourselves have mentioned, over difficulties of mortgage repayments, defaulting and the rest. Is there not going to be quite a big problem if people buy when clearly they have not considered all the possible circumstances and the difficulties of paying far more back each week than they are paying in rent?

(Mr Williams.) I would not claim to be an authority on the Bill, but I seem to recollect that there is in the Bill a clause which says that the amount of loan which

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shall be granted to an individual purchaser, in relation to his income and other matters relating thereto, is to be settled by the Secretary of State.

(Mr Cumming.) That is section 9(2).

(Mr Williams.) So that the Government, in framing the Bill, has recognised that there must be some relationship between the amount of debt which an individual takes it upon himself to repay, and his resources to repay that. It would be a very unrealistic policy if they did not.

(Mr Griggs.) The building society will apply its normal criteria to the applicant.

594. Yes, but recognising that reservation, if you like, in the Bill, at the end of the day it is going to be far easier for a council tenant to purchase, is it not, than someone who is not a council tenant trying to apply for a mortgage from a building society?

(Mr Williams.) It will be easier for him to purchase, presumably, in the sense that the Bill, or the Act ultimately, will give him a right to a mortgage, whereas no private sector individual has a right to a mortgage. He may claim to have a preference for a mortgage but he has no right.

Chairman

595. That is an aspect to explore. As you will appreciate, the Secretary of State and the Government are placing great reliance on the application of capital receipts from sales as a source of housing investment in the future. Therefore, as the extent of capital receipts depends very much on the extent to which the council house sales are funded from outside local authority sources, it is very important for us to try to form some estimate of the extent. Do you in practice foresee the likelihood of the proportion of sales funded by building societies increasing much above, say 10 per cent? We appreciate that there is a large number of assumptions. We want to come back to the question of implementing the Stow Report and the implications of that in a moment, but looking ahead as best you can in the crystal ball, do you really expect that it is likely to become much more than 10 per cent?

(Mr Williams.) I hope I have not given the impression in the answers which I have so far made that there is any antipathy among building societies to financing the purchase of council houses. This is not so and we have assured the Secretary of State that we will do our best within our capacity.

But it is an issue of the availability of funds and perhaps one is tending to look at this problem in the light of the experience that British building societies have been facing over the last six to 12 months when, as is well-known, interest rates in the economy generally have been high, when building societies have found that the inflow of resources has been far less than is needed to meet the demand. That, hopefully, is not a situation which is going to persist infinitely and there are already suggestions being made that interest rates in the economy generally will start to move downwards in the not-too-distant future and one hopes when that happens it will be possible for building society interest rates to their investors to become far more competitive, with the result that rather more money will be drawn into building societies so that more money can be made available. In those circumstances, the proportion of council house purchases which the societies will finance might well rise but the actual figures will obviously depend upon the extent of the demand. I believe that in our evidence we did say that on the assumptions made, if the number of sales in any one year were 100,000, then to finance 10 per cent of those sales would require £67m, whereas 50 per cent would require £336m, and those figures will need to be related to the net lending by building societies. I must say there is a distinction between lending to a council house purchaser and lending to many other borrowers from building societies, because much of building society lending is a recycling of existing loans because we lend to people who already have loans but repay them and so on. So, when we compare the amount of money required for local authority purchases with our net lending, which we estimate is of the order of £6 to £7 billion, £300m in relation to £6 or £7 billion is a relatively modest percentage, and one would hope that as funds become more available it might well be possible for greater help to be extended in this area. One must acknowledge, nevertheless, I suppose, that there must be a great deal of suppressed demand in the private sector generally and much, therefore, is going to depend upon the way the market develops in relation to changing trends in the economy.

596. Nevertheless, if 10 per cent are, in fact, funded by the building societies and in addition to that 10 per cent you have withdrawals of the provision of deposits, these

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to a very substantial extent are likely to be withdrawals from building societies, are they not?

(Mr Williams.) They might well be, yes.

597. So that the Government is estimating that a total of 30 per cent of the cost of the funds will come from sources other than local authority mortgages?

(Mr Williams.) Yes.

598. If we take it as being 100,000 sales, in the figures in your evidence, if that substantially came from building societies it would represent a drain of something like £200m? What would you estimate the drain to be?

(Mr Williams.) I am not terribly good at making quick calculations. May I refer that to Mr Boleat, who is exceptionally able in this area.

(Mr Boleat.) I do not think we can make any precise estimate of how much money would be taken out of building society savings accounts to provide deposits. There is anecdotal evidence that it could be quite substantial, but council tenants also invest their savings with a clearing bank or trustee savings bank and all these institutions would have some withdrawal of funds in order to provide the deposits. But the 30 per cent figure is a reasonable guess of the total money coming from outside the public sector in the current position, that certainly no more than 15 per cent would come from building societies, either through lending or through the withdrawal of savings, at the moment.

599. On your current projections in your evidence you did say to us that the financing by building societies of the purchase of council houses will mean either fewer loans for other house purchasers or higher mortgage interest rates or both. To what extent would you expect that, other things being equal, that effect under the provisions of the Housing Bill is likely to result?

(Mr Williams.) I think it is an impossible question to answer, but it is, I might suggest, and I am not in any way being patronising, a matter of simple economics. If there is a given volume of demand which is in excess of the supply of funds, and that has been the normal position for building societies over the last ten years, any addition to that demand must result either in higher interest rates to raise more funds to enable it to be satisfied or, if there is to be ear-

marking or preference given to a particular class of purchasers, it must mean fewer loans for other classes of purchasers. The way in which those problems are balanced will be a matter for judgment by individual societies. This is not a mono-lithic structure.

600. I realise the difficulty of making the estimates and taking into account all the assumptions, the Stow Report estimated that about £700m a year might be provided by the building society movement generally for the purchase of local authority houses. Is that an estimate with which the Association would be inclined to agree?

(Mr Williams.) No, my recollection is that the figure of £700m is the possible total amount of finance which would be needed for the sale of something like 100,000 council houses.

(Mr Boleat.) All we were trying to look at is what would be the maximum demand for building society funds on certain assumptions, and I think we assumed 100,000 sales, of which 85 per cent would be financed by building societies. That is a working assumption to produce some figures and not an assessment of what actually might happen.

Mr Winnick

601. This brings us back to the question of earmarking. I realise you are not suggesting it will be the case but if, as a result of the sharp decline in council house building, a number of people are finding it increasingly difficult to find a place in the first instance and hope to get a mortgage, it would seem there would be some injustice if they were to get less preference, or it is quite likely they could have a very difficult housing situation, than somebody who is already housed and simply wants the opportunity to buy his own dwelling. Therefore, if, indeed, there were a choice between the two one would imagine that more justice would be given by giving the mortgage, in effect, to those who are not housed in the first place?

(Mr Williams.) I am assuming here a situation in which resources continue to be scarce relative to demand. With regard to those in building societies who are responsible for allocating scarce resources, taking the case of applicants equal in all other respects — that is, both claiming preferential treatment because they have been long-term investors with the building society — one might well find that the loan might be

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allocated to the individuals who had not got a home, rather than to those who had. I would not have thought that that was an unreasonable thing to happen. The level at which that decision would be made would differ from one building society to another. In many building societies, including my own, all loan decisions up to quite a high level are made by local branch managers who interview the individual applicants and formulate their responses to applications accordingly. In some other societies the decisions may be made at head office, or something of this sort. In the circumstances that you postulate, I can only say that.

(Mr Griggs.) I think that, by and large, the building society would give priority to its existing members, that is, people who have been saving with it over a period, in anticipation of borrowing, or a person who has already got a mortgage and is forced to move because of his employment. This is when funds are scarce. Those two categories will get priority.

Mr Scott

602. Could I go down the other road, as it were? The alternatives were offered of earmarking (which in any case seems to be out as an overall policy) and the interest rate rising. Supposing we take the Stow Report of £700 million and the percentage that Mark Boleat mentioned that would be financed by the building societies. What would be the likely mortgage cost effect, assuming that you let interest rates alter in order to meet that demand? Have you made an assessment of that?

(Mr Williams.) No, I do not think so. I am assuming that you also would assume that if building societies set out to satisfy the whole of the demand from council house purchasers, they would equally set out to satisfy the whole of the demand from private sector purchasers, in which event, of course, there could be an extremely substantial rise in the level of demand, and just what would be the rate at which demand and supply were brought into relationship one cannot say. This is an extremely difficult area. This is why the implications and the precise application of the conclusions of the Stow Committee do require very careful consideration indeed. Just off the top of my head, one might well see mortgage interest rates 3 or 4 per cent above what they currently are.

Chairman

603. That would be if the building soci-

eties were funding both the whole of local authority sales and the current sales?

(Mr Williams.) Yes. But I do emphasise that that is an absolute shot in the dark.

604. Yes, we do understand that.

(Mr Griggs.) I think the commercial rate for a mortgage is probably around 17 per cent at the present time (or it should be if we were satisfying demand and not cutting back). As to what would happen if there was a superimposed demand for council tenants, I am not quite sure how one would answer that.

(Mr Boleat.) There is a secondary effect through building societies financing council house sales. If £700 million were provided, that assumes that the public sector borrowing requirement might be reduced by an amount one does not know. That might have some implications for the general level of interest rates, by an amount that one knows even less. However, there would be some secondary effect.

Mr Scott

605. Can you link the going rate for the building societies — assuming that they were trying to meet this extra demand — to the going rate for interest rates generally, rather than an absolute figure, to say that it would be 1 or 2 per cent above or below what the MLR is or what the prime rate of the clearing banks would be?

(Mr Williams.) Quite honestly, I think this is entering into a world of hypothesis to which it is totally impossible to produce answers. I doubt whether the Treasury model itself could tell us the answer to that.

Chairman

606. Could I pursue the point just made by Mr Boleat about the impact on the public sector borrowing requirement? We have now been told by the Secretary of State, and it has been made very clear, that the level of housing investment will depend crucially on the level of capital receipts from sales; that 50 per cent is going to be taken into account in determining the housing investment programme, and another 50 per cent will be available to the local authority which achieves a sale. Therefore, on the face of it, it would seem that the consequence of the private funding or the non-government funding of local authority sales is absolutely neutral in its effect on the public sector borrowing requirement. Or is that too simple?

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from Mark Boleat, I wonder whether I might ask him to answer.

(Mr Boleat.) One cannot give any sort of answer to that. If the Government is saying — and this seems to be my reading of the Public Expenditure White Paper — that the capital receipts from council house sales are going to determine the level of public sector housing investment, then, yes, this has some implications for the total volume of house-building output and the total volume of public sector activity. But I do not think any body could estimate what that effect would be, or, even if local authorities are entitled to use 50 per cent, whether they would wish to do so. That is a question on which presumably the DOE have made some assessment, or on which the local authority associations might possibly have some idea. We can all say that we know these effects exist, but it would be a very brave man who could quantify them at all.

607. In the light of what has now been said, we appreciate that at the time the evidence was prepared this had not been spelled out anything like as clearly as it has been now. In the light of what has been said, would you anticipate that there is going to be any close relationship between an increased level of sales funded by non-government sources, and a reduction in the PSBR?

(Mr Boleat.) I do not think we are in a position to answer that. Many local authorities might take the view, I think, that they would not wish to have any more capital expenditure. I am certainly in no position to give any quantification on that at all.

(Mr Griggs.) I think everything depends on how quickly the general level of interest rates goes down. If the general level goes down, building societies become more competitive and get more money in. Then, theoretically, there will be more money available to help council tenants purchase their homes.

Mr Winnick

608. From what has appeared in the press recently, it would seem that there is more likelihood of your interest rate going up than of its even staying as it is.

(Mr Griggs.) It is very unlikely that it will go up.

(Mr Williams.) I should think that is an uncontemplatable proposition (short, that is, of a rise in the general level of interest rates, of course). If interest rates generally were liable to go up beyond 17 per cent,

that would be a different matter. However, while interest rates generally are at their current levels — if I may speak as Chairman — there is little prospect of the building society rates rising.

609. If the Minimum Lending Rate is reduced, will the building society rates be reduced accordingly?

(Mr Williams.) It is the use of the word "accordingly" which I will have to disagree with. That would be a matter, one would feel, for judgment at the time. One would have to know the extent to which the MLR had been reduced, the extent to which the reduction of MLR was reflected in the reductions of other interest rates, a whole combination of factors, the expectation of future reductions, before a judgment could be made on whether, and if so to what extent, building society rates ought to be reduced. One thing I think one can say is that at the present time building society interest rates to investors are inadequate in relation to other interest rates in the market, to produce a sufficient volume of funds to finance a reasonable level of private sector demand. This means that the relative position of building society rates in relation to other interest rates will have to be improved if sufficient funds are to be made available and are to become available for the satisfaction of even a reasonable level of private sector demand, let alone an additional demand from local authority tenants. This does not necessarily mean that building society interest rates will not be reduced in response to a reduction of MLR, but it does depend upon the extent of the reduction of MLR, the speed of reduction, especially the anticipation and expectation of future reductions, and the judgment would have to be made at the time.

610. If anything, what you have said about attracting investors and the rest seems more an argument, if I may say so, for raising rather than reducing the current interest rates?

(Mr Williams.) I think commercially there are strong arguments indeed for raising interest rates at the present time because there is, we know, an area of unsatisfied demand in the private sector. We know from autumn onwards there is going to be an additional demand from public sector tenants and, therefore, more finance will be required, and if interest rates in the economy generally remain at their present level, to satisfy that demand higher rates



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would have to be paid and, therefore, charged by building societies. But the building societies are conditioned in this decision, as they were conditioned in fixing their present level of interest rates, by the impact of higher interest on their existing borrowing members. There are around 5½ million existing borrowers and it is one of the features of British building society financing technique that if there are rises in mortgage interest rates they apply not only to new borrowers but to existing borrowers as well. It is only in this way that existing investors can be paid more and building societies thus have to have regard to the impact of higher mortgage interest rates on their existing borrowers. It is for that reason that the mortgage rate was not raised beyond 15 per cent in November last and why I think building societies generally feel that it ought not be raised any higher at the present time, notwithstanding that there is unsatisfied demand.

Mr Scott

611. This is in a sense putting council house sales and the narrow problem of that on one side, but it would be helpful if you would like to talk a bit about the future of building societies, their interest rates and the competitive thing as a whole, because clearly it is not only the impact on your existing borrowers but also the way in which the building society movement is regarded by society, if one can talk in those rather broad-brush terms, and the advantages that accrue to building societies from that, the composite rate and the lower levels of corporation tax and so on. If you went out into the marketplace presumably you would begin to put that position at risk and tend to be regarded as just another lending and borrowing organisation, perhaps not treated favourably by government of whatever persuasion. Could you tell us a little bit about how you see that developing?

(Mr Williams.) Mr Chairman, would it be in order for me to ask whether there are any limits to the discussion in this Committee, because one wonders whether we are here to respond to questions on the sale of council houses or to discuss building societies in the social, economic and political environment.

Chairman

612. I must accept that we are straying outside it, although we would be extremely interested to the extent that you are able to give replies. The impact of the speech by

the Financial Secretary to which you referred in your evidence a few minutes ago is something in which the Committee is very interested. We are concerned particularly as to the extent to which the sale of council houses is going to have an effect on the mortgage market, but in studying this we come to the Stow Report and the question of competitive rates and prospects for the future of mortgage tax relief. If we are going outside that then if you prefer not to attempt to reply at this stage, we must, of course, accept that because this does go beyond the range of what we specifically asked you to come about?

(Mr Williams.) Quite honestly, this is a matter which would demand a very great deal of time to debate, but I wish in no way to inhibit the debate here. One can say, of course, that this goes to the root of building society operations and there is nothing new or novel about it. The Stow Report produced no great flash of light on the road to Damascus. We have always known that if there are to be sufficient funds to meet all the demand for mortgage loans on demand without any waiting then clearly higher interest rates would have to be paid to investors and, in consequence, higher interest rates would have to be charged to borrowers. That is the simple economics of building society operations. The issue is, however, how far building societies, bearing in mind their origins, their position in society, should attempt to be so commercial as to clear the whole of the market, and this term, "market-clearing rates", has been used. I do not believe it was used in the Stow Report but it was certainly used by the Financial Secretary. What one can say is that obviously the Council of the Association will, in its further consideration of the Stow Report, have regard to what the Financial Secretary said. What he did say quite clearly — although if one reads his speech very carefully it is not easy to find what he did say — was that if building societies attempted so to pitch the level of their interest rates as to clear the market, this would put them in a different ball park and they would then have to be regarded as financial institutions and brought within the same techniques of monetary control as the banking sector and other financial institutions. He went on to say, as I recall it, that so long as building societies maintained broadly their position in the economy which they had occupied over the last few years, then he and the Government were perfectly satisfied with things as they were. Beyond

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that I do not think one can go at the present time, but evidently there would be major implications for the financial markets and for other financial institutions, if building societies, as the main house purchase lending institution, were to attempt to clear the market on mortgage demand.

613. If you did achieve that position of being able to provide mortgages on demand do you think there would be substantial abuse of the mortgage tax relief system, of people taking out maximum mortgages with a view to obtaining the maximum benefit, with the effect that the Government might withdraw that privilege?

(Mr Williams.) I am not quite sure what is meant by "abuse of the mortgage tax relief".

614. Taking out the maximum possible mortgage on property in order to ensure you have maximum tax relief?

(Mr Williams.) Yes if it is regarded as abuse for a person to take out the maximum mortgage and thereby secure full tax relief up to interest on £25,000 that might well be so. I think it is generally known now that although building societies do their utmost to lend the maximum possible to people buying houses for the first time (in fact the average percentage loaned to a first-time buyer is around 80 per cent of the purchase price) but in the case of people selling an existing home and buying another one societies do require in general the individual to put as much of the profit on the sale of his first house into the purchase of the second house as possible and in consequence the percentage loaned on average to second-time buyers is around 50 per cent or slightly less, so that societies do endeavour to spread their relatively scarce resources in this way. Evidently, if by market clearing one means that one might accede to the request for any loan which the value of the property would justify and which the income of the individual would support, then one might see loans to second-time buyers of the order of 80 to 85 per cent. If that can be described as abuse of the mortgage interest tax relief then that is what it is.

615. I am perfectly content for you to stop us if you feel that we are asking questions which go outside the range of what you came here prepared to discuss. Clearly, the impact of moving towards a pattern of competitive interest rates and its impact on

the entire housing market, the capital market as well, including the market of council house sales, is of great interest to us. However, we fully understand that you have not prepared perhaps for these questions. If that is so, we shall quite understand if you feel that you cannot answer them. Can you tell us to what extent you feel that the movement towards competitive interest rates might involve the breakdown of the existing recommended rates structure within the building societies movement?

(Mr Williams.) I think one can say that the movement towards competitive interest rates would not necessarily mean the breakdown in the building society interest rates undertaking and the recommended rates arrangement. Incidentally, I would like somebody to define what they mean by "competitive interest rates"; it does not necessarily have to mean more competitive interest rates, or what have you. It would still be perfectly possible for the Building Societies Association to recommend rates of interest which were more competitive, in relation to other interest rates, than they have been at times in the past. Indeed, probably it was the norm in the 1960s for building societies to recommend interest rates which were properly pitched in relation to other interest rates. It has mainly been in times of the stresses of the 1970s, in times of very high interest rates, that, in deference to their existing borrowers, to public pressures, to political pressures, the Association has recommended rates which were uncompetitive or not as competitive as they should be in relation to other rates. So there is nothing inherent in competitive interest rates, which necessarily would demand a breakdown or an abandonment of the interest rates recommendation.

Mr Winnick

616. Would you say that some differences would be likely? Certainly it would be surprising if, indeed, there were not differences in the Building Societies Association. While I understand the argument for a competitive rate and the rest, would there not be those within the building societies who would look on things somewhat differently, who would be taking — if you like to use the phrase — a somewhat paternal line and saying, in effect, that such a competitive interest rate would mean at the present stage that rises somewhere up to the region of 17 per cent would be very damaging, certainly to first-time housebuyers or potential housebuyers who would be

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excluded, quite likely, from the market?

(Mr Williams.) I think one could say very reasonably that the present philosophy of the Council of the Building Societies Association is precisely that: that the rates which have been recommended in the immediate past, at times of very high interest rates in the economy generally, have been conditioned by a sense of responsibility towards existing borrowers and to first-time buyers, etc. That is perfectly true. But building society interest rates are currently not competitive in relation to other rates.

(Mr Cumming.) Can I put it in a slightly different way? We have got over 20 million people who invest with us. We have got 5½ million people who borrow from us. We cannot create a climate of opinion. We do business within a climate of opinion. We see it as our job to strike a balance between opposing interests. It is a sadness that we are called "mutuals", because we are not! We have to strike a balance between the 20 million or so investors who want as high a return as they can get, and the existing borrowers who want to pay as little as they can get away with. Between the existing borrower and the chap who wants to get a loan there is another conflict of interest. In the climate of opinion within which we have been operating, we have been encouraged over this last decade to provide as much mortgage money as cheaply as possible, and it was always the cheapness that came through. There has begun to spring up a climate of opinion which has suggested that we have been wrong, that we have tipped the advantages too much in favour of the borrower, his tax relief, his capital appreciation and so on, and too little in favour of the investor, too little in favour of the chap who wants to get a new loan and we have had no funds for it. At the moment we are trying to determine whether the climate of opinion in which we are doing business has changed. We are not committed to the Stow Report. We commissioned it and so on, but we had no control over it, we had no sight of it until it was finished, and it most certainly is not policy. There are numbers of people in building societies who will take the line that you are taking, Mr Winnick, and who will feel that the more we go to market clearing rates, the more we will have mortgages readily on demand to those who can afford to pay for them, and the more we will be pricing people out of the bottom of the market. As a mass movement, we have got no interest in doing that at all. We are trying to strike a balance, and

we are trying to see whether the climate of opinion has changed.

Mr Sever

617. Briefly, I think that is a very interesting point, but both the Chairman and the Deputy Chairman of the Association referred to the competition which building societies face in the market in respect of obtaining investors. Where is that competition primarily coming from? I have heard the Chairman of the Association, in public statements, refer to that before. To that extent at least there is some consistency in the argument, and I take the point very well. However, we are talking about attracting investors to societies. That, in many respects, is a very easy way of saving. It is a very simple thing to do for "Mr Public" to go into one of your members' offices and open an account. Therefore, I am always very anxious to know whom you are fending off as competitors.

(Mr Williams.) The competition comes from a number of sources. It is my own view that the major competition comes from the clearing banks who currently, as you know, offer 15 per cent on 7-day deposit accounts for sums up to £10,000, and substantially over 15 per cent for sums in excess of £10,000. There is a very close correlation between the growth of personal sector deposits in the banks and short-term funds for building societies, and conversely. As one goes back over the years one sees this very clearly. I have estimated — this is a top-of-the-head estimate — that there is probably between £1 billion and £2 billion which swings from the banks to the building societies, from the building societies to the banks, and so on and so forth, depending on the respective interest rate levels. There is also competition from the National Savings movement, from National Savings Certificates and from various other forms of government paper, it being borne in mind that the Government possesses a facility which no other savings institution does, and that is to provide tax-free interest on National Savings Certificates, on gilt-edged securities after one year's holding and so on. Short-term gilt-edged securities are a competitor of building societies. Competition also comes, to a much more limited extent, from the finance houses and, to a very limited extent, from the equity markets. What one has to remember — and this is a point not generally appreciated — is that although the majority of building society investment accounts are small (that

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is, having balances of under £500), they account for only 5 per cent of the capital which building societies dispose of, whereas something like two thirds of the capital of building societies is in sums of £2,000 or more. Individuals with sums of £2,000 or more of accumulated savings are increasingly sophisticated in terms of their knowledge of relative interest rates which are available, and money does shift. While it may only be that £1 billion or £2 billion on the margin of £40 billion or so, that is still a large enough sum to produce shortages and chronic shortages of finance, if our rates are out of line. So that building society investments are critically competitive with other major finance institutions, of which quite clearly the banks are the major ones.

Chairman

618. Could we move on to the question of the financing of the resale of council houses. In paragraph (vii), page 5, of your written evidence you state that: "It is not possible to estimate the demand for mortgage funds to finance the resale of council houses. However, an important point is that resales merely involve the exchange of assets and liabilities between vendor and purchaser; the building society loan plus the cash deposit provided by the new purchaser is received by the vendor and is ultimately (perhaps after several transactions) available for investment in a building society or other financial institution." In Technical Volume 2 of the Green Paper there is an analysis at page 115 of the extent to which there are net cash proceeds of sales. I appreciate I am bringing in a point which I do not expect you to be able to answer here and now but I hope you will be able to consider it and perhaps let us have a subsequent note, but in that table it is demonstrated that a substantial proportion of second-time and subsequent sales and purchases produce positive net cash proceeds, and they estimate that in 1973 this accounted for a total of £400 m for England and Wales taken together. I have not checked the sum but that must be very substantially more, something probably approaching £1,000m, so far as 1980 is concerned. If council houses are being resold after the end of the pre-emption period, the mortgage market is going to have to fund the discount, so you have a very great demand for funds, much greater than initially, and it seems to me likely that a significant part of the funding by the mortgage market is going to leak out into consump-

tion through that form of leakage as I described it. I do not know whether you feel inclined to comment on the point I am seeking to make. I am not making it very expertly as I am not an economist, but my apprehension is that, first of all, when we get to the resale of local authority houses the demand for mortgage funds is going to be very much greater than is anticipated for the immediate future. Secondly, it is going to have at that stage a significant boost to add significantly to the transfer of mortgage funds into general demand for consumer goods?

(Mr Griggs.) If the building society insists that the chap who is selling a house puts the proceeds into the new purchase there will not be a leakage. That is what is happening at the present time.

(Mr Williams.) I think this is a point which is brought out in the Stow Report, and the issue of the last-time seller, which is based on a well-thought-out point that if finance is used to enable the purchase by, say, one individual from another, while that second individual may well use the proceeds of his sale to buy another house and he indeed may use it to buy another house and so on, at the end of the day the finance gets into the hands of somebody who does not want to buy another house, either a beneficiary under a will who already has a home and who is selling his parents' house or an individual who has decided to drop out of owner-occupation and rent himself a flat somewhere or the person emigrating. For whatever reason, the finance is bound to end up ultimately in the hands of somebody who does not want to use it to buy another house. The Stow Report estimates that currently the amount of such finance is probably of the order of £4,500m and that finance is then available for investment in institutions — building societies, banks, the equity market, the gilt-edged market. It is also available, of course, for current expenditure — yachts, villas in Spain or what have you. The Stow Report estimates that about a third, about £1½ billion, is currently re-invested in building societies, so there is a recycling of that, but obviously the proportion that is so invested, the proportion of money which ends up in the hands of last-time sellers which is re-invested, will critically depend upon the rates of interest offered by building societies in relation to those offered by other institutions. Quite obviously the amount of money which so ends up in the hands of last-time sellers (and I do not think this

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point is made in the Stow Report) will tend to grow not only with inflation but with the size of the owner-occupied market. Currently about 54 per cent of houses in this country are owned by the people who live in them. The sale of council houses and other inducements may well cause that to rise to 60 or 65 per cent or even higher, and the higher the proportion of houses which are owner-occupied, the more finance each year will end up in the hands of last-time sellers, and then this issue will arise as to what happens to that money when it gets to the end of the line.

(Mr Boleat.) Could I add to this point that the points you make are all very valid. There has been a lot of academic research on this; unfortunately, it is all in respect of America or Australia but the results might be as applicable to Britain. It is true that there will be a financing of the discount when the purchase price on resale is perhaps exactly the same but there has been a very rapid rise in house prices and building societies are now financing the sale of houses which might have been sold five years ago which have doubled in price. The work we have done shows that when house prices rise rapidly the percentage advance falls rapidly and people do put in a large equity from the sale of their properties, either because the building society requires them to do so or, in many cases, because they wish to do so; they have a genuine wish to put the whole proceeds back into their next house, except for some transaction costs. So, our figures show that the higher the rise in house prices the lower the percentage advance to people moving.

619. In evidence at paragraph (ix) you draw our attention to the gap between mortgage repayments and rents, saying this will undoubtedly influence a number of council house purchasers. What do you think would be the impact on the economy as a whole of this transfer of incomes or expenditure from consumption to paying for houses if you have large volumes of council house sales, or do you feel that is beyond your scope?

(Mr Williams.) I think it is beyond my scope to attempt to answer that. One recognises this is an estimate but to attempt to quantify it I am quite unable to do so.

(Mr Winnick.) You do say in paragraph (ix) that, looking at the average unreduced council rent, it is quite likely that someone buying his council house would have his weekly outgoings doubled and then you add

the reservation that it is all relative, but bearing in mind the other point you make earlier on about the sums required for repairs and maintenance and so on in comparison between being a council tenant and being an owner-occupier, I would have thought that is quite a considerable sum involved, paying double what one is already paying?

Mr Sever

620. Could I add that that is also presupposing that the council tenant will also have got rid of probably all his savings as a depositor?

(Mr Williams.) I do not know whether that would necessarily follow. To deal with Mr Winnick's point, evidently many local authority tenants will be deterred from purchasing if the outlay on their house is going to double or rather more than double, if one takes into account the cost of repairs and so on. But it does not follow either that all local authority tenants would be so deterred. While it might mean in many cases a reduction of consumption expenditure, there may be many local authority tenants who could well afford to find an extra £8, £10 or even £15 a week for the satisfaction and, if one may say so, the investment value of purchasing a house. I think it is impossible to quantify the potential effect of a doubling of outgoings. Many local authority tenants have been willing to saddle themselves with much higher housing costs by moving out of the public sector into the private sector in recent years, for a whole host of reasons one of which is the satisfaction of becoming a home owner. Some are social reasons, others are sound investment reasons. They have been willing to forego consumption or forego saving, in order to acquire what they believe to be the advantages of owner-occupation. There could well be many local authority tenants who will take a similar view. However, it is not possible to quantify this. What one can say quite positively is that if the gap between local authority rents and mortgage repayments is reduced, or there is an expectation that it will be reduced, by promises by Government that rents will be raised, this is likely or, indeed, almost certain to give rise to an enhanced demand to buy houses and thereby to stabilise outgoings. This happened in 1972.

Mr Winnick

621. It might be said that if the Government really wishes to see a big take-up of

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[Continued]

[Mr Winnick Contd.]

council house sales, apart from various economic reasons, it would be wise to push up rents as high as possible, might it not?

(Mr Williams.) Whether "wise" would be the right word I would not say. It would certainly be commercially true, yes.

622. I was seeing it from the Government's point of view, which I do not normally do! You do say that council tenants who wish to buy their council houses tend to be relatively elderly. This is at the bottom of page 3 of your very interesting evidence. Bearing in mind what you have been telling us about the possible investment as seen by the council tenant, is it not a possibility that in some cases at least — and this may well grow with the Housing Bill — these elderly tenants are being encouraged and financed to a very large extent by relatives, sons and daughters, who see a very good investment in the future?

(Mr Williams.) That may well be so. Certainly the mode (that I believe, is the technical word) or the peak of council-house-buying tenants is in the 45 to 60 age group at the present time. I think that could be due to a number of reasons. It could be that the income of the family, if one takes account of teenage unmarried children, enables the purchase to be readily accomplished. Equally, of course, over the age of 45 — and I do wish you would not regard people over the age of 45 as elderly — quite often a family has relieved itself of many financial responsibilities, children may have gone, incomes or salaries may be at a peak. One can well see that that might be an appropriate time for a tenant to buy his house. Curiously, however, on the other hand, individuals who move from the public sector into the owner-occupied sector, and who become owner-occupiers, tend to be young, tend to be certainly under the age of 45, with the peak probably in the early 30s.

623. We have received evidence from various bodies — the Catholic Housing Aid Society is giving evidence on Thursday — and from many local authorities. They are quite sure about their opinion; they are either for the Bill or they are against it. However, with the greatest of respect — and perhaps it was not appropriate for you to do so — looking at your evidence as a whole, it is difficult to come to a view about whether you believe it is a wise move (if the word "wise" is the appropriate one in the present circumstances or in the context of

what I am saying) for the Government to proceed as they are doing by way of the Housing Bill and encouraging and doing more, in effect, by persuading people to buy their council dwellings.

(Mr Griggs.) In principle the Council of the Association has always been in favour of the sale of council houses to tenants, because the privately-rented sector has now shrunk to a very small proportion of the whole. If owner-occupation is going to proceed much beyond the present 54 per cent, then the only way that can happen is for the public sector to go across to the private sector. In principle the Council of the Association has always been in favour of the sale of council houses.

624. But do you not see the value of having a relatively large rented sector, if you cannot be in the private sector or in the public sector?

(Mr Griggs.) We have always seen the value of having a large private-rented sector, but, of course, the Rent Acts have produced the result whereby it has shrunk to its present proportions.

Chairman

625. I accept that we have been leading you out of order, and we are having a separate inquiry on rents.

(Mr Williams.) We shall come to that later.

Mr Winnick

626. As a supplementary, we could all hazard our guesses as to whether there may be a revival in the private sector. If there were to be a revival of that sector, surely that is all the more reason to keep a pretty large public-rented sector? What would be the sense of selling off council dwellings, unless there were to be replacements immediately undertaken by local authorities?

(Mr Williams.) Certainly over recent years — by which I mean the last 30 or 40 years, if not the last 50 years — building societies have been strongly philosophically devoted to owner-occupation as a theory. It was not necessarily so 70, 80 or 90 years ago, even 100 years ago, when building societies mainly financed houses for rent in the private sector, and owner-occupation was a relatively small part of their operation. However, since the 1930s owner-occupation has become almost a missionary thing. In that, I think they are now reflecting the expressed desires of the majority of

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[Continued]

[Mr Winnick Contd.]

the people. For what reasons the majority of people wish to become owner-occupiers is another matter. There could be all sorts of reasons why. Research has shown that something around 70 per cent of people either are owner-occupiers or wish to become so, and that figure rises to around 80 to 85 per cent when the inquiry is related to people under the age of 30. So there is a strong desire, among young people in particular, to own their homes. It is an interesting question to ask why they have that desire. There could be all sorts of reasons, but it is a fact. Therefore, building societies are reflecting the views of their market, the views of the public, in encouraging owner-occupation. As the Financial Secretary said, the only area from which new houses in quantity can be available for owner-occupation is the public rented sector.

627. I must say from your answer it does not seem — I am not at all surprised — that the building societies are very enthusiastic about a large public rented sector. Indeed, from time to time critical remarks have been made by the Association about the public rented sector rent levels and the rest. I would have thought, bearing in mind the difficulties, especially now, of people getting a mortgage, you would recognise that there is a social need for a large public rented sector, and if council houses are to be sold off to tenants, all the more reason to make sure that local authorities build to replace those which are sold off?

(Mr Williams.) I think we would rather —

(Chairman.) I think that is going outside what the Building Society Association can be responsible for.

Mr Winnick

628. They can have an opinion.

(Mr Williams.) The opinion I would express is not a political one, merely a factual one, that there is this strong desire on the part of a vast majority of people to own their own homes.

(Mr Winnick.) Many of my constituents have a very strong desire to be rehoused by the local authority. Perhaps our experiences differ.

Mr Thornton

629. Your analysis of the comparison between purchasers' and tenants' outgoings suggests that 1980 sales will be below trend, not the initial spurt of sales, and a fall in

mortgage rate combined with rent increases would result in a sharp rise in sales in succeeding years. How sharp a rise in sales would you foresee?

(Mr Williams.) I do not think one can answer that question in arithmetical terms. One can only say generally that if the price of buying a house becomes lower in relation to the cost of renting a house, then more houses will be bought. Exactly what the relationship will be I think would be almost impossible to estimate with any reasonable accuracy.

Mr Scott

630. Can I come back to earlier evidence on a point I raised, which is to try to decide how far the building societies will be able to help in smoothing the path, as I put it earlier. Looking back on the answers you have given before, it seems, first of all, you are not meeting the demand that is presently in the private sector and there is going to be some extra demand but we do not know how much will arise from the policy of council house sales. Stow says that if you were to satisfy existing demand you would have to go to competitive rates. He goes on to say that means being set by the market and not by administrative decision, presumably meaning the Association setting the rate for its members. Trying to listen carefully to what you have said about Stow's recommendations I detect a reluctance to commit yourselves to them. I put it no higher than that. Does that really mean you cannot meet normal demand? Are you saying you are going to make only a minimal contribution towards meeting the extra demand which is going to arise because of council house sales? It is a leading question but is that the conclusion you come to?

(Mr Williams.) No, I think what one can say is that in the current circumstances — and I think the Stow Report is written very much from the point of view of current circumstances — building societies are falling short of meeting demand, and thus any addition to that demand is going to be very difficult indeed to meet. But one is very hopeful that as one moves from what one sincerely hopes are crisis conditions in the monetary market with MLR at 17 per cent (one certainly hopes this is not going to be a normality) then it will become possible to bring building society interest rates into a more competitive relationship with rates offered by other institutions. When that happens more finance will become available for the mortgage market generally, which

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[Continued]

[Mr Scott Contd.]

will enable us to meet more of the demand from people in the private sector and make an increasing contribution to the purchase of council houses. We have assured the Secretary of State that we are anxious to help in every way we can to help tenants of council houses to buy their own homes and as our ability to do so rises so we will assist, preference being given to those local authority tenants who are saving with building societies because that puts them in the same preferential state as others in the private sector. Beyond that one cannot go. It is extraordinarily difficult to quantify it. Building societies, contrary to what one reads in the press, do not run a sort of econometric model. Alan Cumming and I do not sit in our offices pressing buttons on computers and all the answers come out. There is a large measure of judgement in the extremely complex market in which we operate in an extremely complex social and political framework and one can only judge how one will react in the light of developments. All one can do is talk in generalities. As interest rates in the economy generally fall, as, hopefully, they will, building society interest rates will, hopefully, become more competitive. One trusts that political pressures will not be applied to building societies to force them to retain their current uncompetitive position and one therefore expects more finance to become available. This will then, hopefully, be distributed not only in the private sector but in the public sector as well.

Mr Winnick

631. Would it be too personal a point to say you are more in favour of what would be described as a competitive rate than some of your leading colleagues in the Building Society Association?

(Mr Williams.) It depends what is meant by competitive rates. If you are asking me a completely personal question, I am not one of those who feels, in the current development of my thought, that interest rates in building societies should be pitched to market-clearing levels, but I do believe that building societies should go further towards meeting demand than they are at present able to do. What I am asking for in a way is a restoration of the situation which building societies have traditionally occupied. There is nothing novel about building societies meeting normal demand. The only novelty is that that demand is increasing and it is increasing for a number of reasons. It is increasing because owner-occupation

is becoming more and more important to more and more people; it is increasing because people can afford owner-occupation; it is increasing because the owner-occupied sector is in itself increasing and, therefore, this is creating demand for trading up or trading down on the housing ladder, so the total demand for mortgage finance is rising all the time and building societies have a duty to fulfil that demand, and in so far as they do not fill it, then other institutions will come in and fill it in our place and they will do so at rates of interest and on terms which are far dearer than we ourselves have.

632. Does Mr Cumming agree with that?

(Mr Cumming.) Near enough.

633. In politics near enough means a great deal.

(Mr Griggs.) We are not talking of enormous figures. We estimate on page 4 we should need £336m to produce the finance for 50,000 sales. That is fairly small, only about 5 per cent of our total net lending in a year, so provided our funds come in well, as we hope they will, when rates start to come down in the economy I am not unhopeful that we shall be able to do so.

Mr Thornton

634. On your personal point of view, I should like to talk about perhaps the gap between where you are held and where you want to be, what market levels. Some societies certainly operate at a premium rate for loans in excess of a certain figure which enables demand to be partially satisfied. Is that not so?

(Mr Williams.) You mean premium rates on loans?

635. Yes, an extra per cent over and above the going rate?

(Mr Williams.) The higher rates of interest charged for higher loans do not help to satisfy demand. All that helps to satisfy demand is the higher rate of interest which building societies pay for certain types of money and that certainly has been growing in building societies in recent years to the point where somewhere around 12 or 13 per cent of building society capital is now held for premium interest rates. That is what satisfies demand because it raises more money. It is true that to help to pay for these, premium rates of interest are charged on certain loans and one is getting



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[Continued]

[Mr Thornton Contd.]

a much more varied interest rate structure than one had in the traditional days when one rate was paid for all investments and one rate charged for all loans.

Chairman

636. Looking into the future as best one can, taking account of the provisions in the Housing Bill, what sort of difference or divergence would you expect there to be between the building societies' rate and the local authority rate for lending? Why should a council house purchaser who has the benefit of the entitlement under the Housing Bill come to the building societies at all to fund his council house purchase?

(Mr Williams.) In so far as I can understand those provisions in the Bill which talk about the rates of interest which local authorities charge (which are somewhat complex), I would anticipate that the rates of interest charged by local authorities will be higher than those charged by building societies in the aftermath of a very high interest-rate period during which local authorities have raised substantial sums of money. When interest rates subsequently fall, local authorities will be left with these high interest-rate loans which will increase their average rate. Therefore, while building society interest rates are falling, local authority rates will rise. This happened in 1975/76, or a few years back anyway. So that those are the conditions. On the other hand, immediately following a period of very low market interest rates, local authority rates would normally be lower than building society rates. However, I believe the Bill provides that, in such circumstances, the rate shall be a rate fixed by the Secretary of State in relation to building society rates, so that is that. Why should people come to building societies at all? I think there can be various reasons for that. Certainly the provision in the Bill, that tenants shall not only have the right to buy but the right to a mortgage, might well encourage tenants to fix up the whole transaction with the local authority at the time. However, many local authority tenants have had long-standing relationships with building societies, and they have their favourite building society. Many of them feel that building societies are the place from which loans for house purchase should be obtained. They may be sufficiently thoughtful to recognise that if they borrow from a building society they are more likely to find it easier to sell their house when the time comes than they would if they had a

local authority loan, in the sense that the building society, having once advanced on the property, would be happy to advance to another purchaser of that property, whereas a local authority might not. There are several reasons why people might be persuaded to go to building societies. Certainly if there were major publicity either on the part of the Government or on the part of the building societies themselves (which seems somewhat unlikely in the current conditions), then masses of tenants could be diverted to building societies.

637. If the recommendations of the Stow Report were implemented, it would be likely that there would be very few council house sales financed by building societies, would it not?

(Mr Williams.) Because of the interest rates?

638. Because of the interest rates.

(Mr Williams.) My understanding is that, under the Bill, the rate to be charged by local authorities is the higher one.

(Chairman.) I am sorry, that is quite correct.

Mr Sever

639. Could I ask you, Mr Williams, if you would be kind enough to elaborate a little bit on the relatively new argument in housing about equity sharing and the purchase of former council properties under equity-sharing schemes? We only have the benefit (and I think there is some benefit) of the ten lines or so of the very last comment you made to us on equity-sharing schemes. I wonder if you are able to expand on that a little, particularly with regard to what you see as being the difficult legal, practical and marketing problems inherent in equity-sharing schemes? I am prepared to accept, of course, that, as far as the BSA is concerned, it is a new concept of house purchase, if we were to be asking you to undertake it. But in essence, it seems that it might be the germ of a good scheme for promoting sales where otherwise the sales could not be promoted. I can see some problems in that, and I am wondering if the Association could elaborate on that?

(Mr Williams.) It would be evident from the final paragraph of our written evidence that this was a question we did not want to go into too deeply at the time.

640. I suspected that that might be so.

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[Continued]

[Mr Sever Contd.]

(Mr Williams.) It is an extremely complex matter. Equity-sharing is not entirely novel to building societies. In fact, building societies have worked very hard at the equity-sharing concept, beginning, I suppose, with the 50-50 Birmingham scheme, in which we worked very hard at trying to find a form of lease which would provide an adequate security for a building society loan in law and it took us many months to arrive at that thing. At the very point where we reached that stage the then Secretary of State said it was illegal for the local authorities to do the thing anyway, so the whole thing went into limbo. One understands that both the lease problem and the legal problems have now been resolved, that the Bill will resolve the legal problems, and we now come to these practical and marketing aspects. These are real and while it is tempting to say that the individual tenants who could not afford, or are alleged not to afford, to buy the whole of their house, may be tempted into equity-sharing, there are very generous discounts being given on council houses and one would tend to feel that many people who could not afford to buy council houses at the prices at which they would be offered probably ought not to be buying houses at all in their own interest. Quite apart from that, we have found with equity-sharing arrangements of various kinds that, all right, you can get a guy on the ladder of buying his house owning half a house and paying rent for the other half and, with the rate at which house prices have been escalating, when the time comes for him to wish to buy the second half of his house (and that is inherent in the arrangement, that he will ultimately become a 100 per cent home owner) the additional cost of that second half is probably several times what he originally paid for the first half. This is very disturbing for the individual who thinks that he is being "ripped off" in not being given the opportunity to buy the whole of the house in the first instance. This is something about which we know the Minister for Housing Construction is very enthusiastic and one can certainly see that it may well have some merits, but I think we want to look at this rather cautiously before we go into it hook, line and sinker. We would like to help if it is going to be relevant but in general one would tend to feel that at the prices at which houses in the public sector are going to be offered to tenants this ought to be within the compass

of anybody who wants to become a home owner.

Mr Sever

641. On the political input into that, which I would not necessarily expect you to respond to, it can be argued that the Government, anxious to increase the number of council house sales, have, in effect, particularly with regard to this aspect of it, scraped the barrel to scoop into the pool, as it were, every possible purchaser. I suspect that the real danger, if such schemes were floated without enough care and attention, would be that the default rate would be enormous, that you are trying to put into the pool of would-be house purchasers people who in real terms should not be there, who cannot cope with it, who will find it too much of a financial burden and will default at some time in the future. Do you think that is a genuine fear which the Association ought to be concerned about if this were to gather momentum?

(Mr Williams.) I think that is a possibility. The default problem is not a problem so much of the lending institution as a social problem. You do nobody a service by lending them money they cannot afford to borrow. That is a very strong principle of building society operations because building societies are curiously traditional, very socially-minded, very concerned about people, and we do not like to put people into a position where they get themselves into difficulties with their loans. It is no help to us; it is certainly no help to them.

(Mr Griggs.) Your Committee might be interested in a Northern Irish equity-sharing scheme which has got off the ground. It is the only one I know which has already started; they are doing it through the Housing Executive on the mortgage side and it is very interesting if you want to see one in operation.

Chairman

642. Thank you, we shall follow that up. I am extremely grateful to you. I am sorry we have kept you longer than I said and we have strayed somewhat, although certainly it was very interesting, from the subject. I can only, on behalf of the entire Committee, express our great appreciation. Thank you very much.

(Mr Williams.) May we say thank you to you and your Members for your courtesy in asking your questions and in treating us leniently in our answers.

THURSDAY 15 MAY 1980

Members present:

Mr B Douglas-Mann, in the Chair

Mr F Dobson  
Mr G Johnson Smith  
Mr N Miscampbell

Mr N Scott  
Mr J Sever  
Mr D Winnick

18 February 1980.

Dear Sir,

#### Sale of Council Houses

The Environment Committee was set up by Order of the House of Commons on 25 June 1979, as a Select Committee to examine the expenditure, administration and policy of the Department of the Environment and its associated bodies. The Committee is currently looking into issues affecting the rented housing sector and will first take evidence on the financial and social implications of the sale of council houses. I have been asked to invite your written evidence about the effects of the sale of council houses. It is realised that the preparation of evidence of this kind is a troublesome task, but the Committee hope that you will feel able to undertake it.

While a general statement of your views would be welcome, it would be very much more valuable if your evidence could be related to the specific questions below:—

- (i) What impact has and will the sale of council houses have on the local authority housing service and on those households unable to buy their dwelling?
- (ii) What impact will there be on the housing market as a whole and on questions of mobility and choice in housing?
- (iii) What impact will there be on the financing of housing and on future levels of expenditure, investment and in housing?
- (iv) What evidence do you have concerning the effects of council house sales and what are the implications of this evidence for the future?
- (v) Do you consider that there are particular consequences of the sale of council houses for particular groups of households (eg those with low incomes, the elderly, racial minorities, single parent families).

We have also written to a selected number of local housing authorities, to the Department of the Environment and to credit institutions on the issues affecting this enquiry. I am enclosing copies of these questionnaires also in the hope that you may feel able to answer some of these questions as well.

When the Committee has considered the written evidence, it will invite a number of local authorities and other organisations to give oral evidence. If you would be willing to give oral evidence I would be grateful if you could indicate this when replying.

Although it is realised that the time available for preparing replies is short, it is very important that the Committee should complete its enquiries quickly, and it is hoped that you will be able to reply by 17 March.

*Clerk to the Committee.*

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[Continued]

**EVIDENCE PRESENTED BY THE CATHOLIC HOUSING AID SOCIETY TO THE HOUSE OF COMMONS SELECT COMMITTEE ON THE ENVIRONMENT****The Social Impact of Council House Sales****1. Introduction**

- 1.1. Given current trends in public sector house building and investment, the Catholic Housing Aid Society is extremely concerned that an indiscriminate policy of council house sales will have very serious repercussions for many of the homeless and badly housed people who come to us for advice. The Society therefore welcomes the Committee's invitation to present evidence on the social implications of current policy developments.
- 1.2. The evidence presented here is based in the main on work carried out for a recent study of council house sales sponsored by the Society. This included research into recent housing policy in three local authority areas selected because of the substantial number of sales that had taken place in the localities in recent years. The authorities in question were the Leeds Metropolitan District Council, the London Borough of Bromley and West Norfolk District Council. A review of other research on council house sales (listed in Appendix I of this document) was also carried out, and the evidence presented here makes reference to these publications where appropriate. The more detailed study, *A Giant Step Backwards — Council house sales and housing policy*, was recently published by the Society and members of the Committee should already have received copies.
- 1.3. In compiling this evidence we have tried as far as possible to answer the five specific questions detailed in the Clerk to the Committee's letter of the 18th of February 1980. We consider that we are in a position to directly address questions i, ii, iv and v. In the interests of clarity, however, because of the particular information available, we have found it necessary to reorder these questions and consider questions i and v together in section 3.

**2. (Question iv) What evidence do you have concerning the effects of council house sales and what are the implications of this evidence for the future?**

- 2.1. It has long been argued that council house sales will break up large anonymous council estates and have the effect of introducing tenure mix into districts, such as many of the inner urban areas for example, where the council sector predominates to the disadvantage of those wishing to become owner occupiers locally. A related argument revolves around the contention that the promotion of "tenure mix" on less popular estates will have social and environmental benefits. In the light of this argument, detailed information on the type of dwellings sold by local authorities and their spatial distribution is extremely valuable, although hard to obtain. Recently, the Minister for Housing and Construction said that research carried out in London and Leeds showed that "a fair spread" of properties have been sold<sup>1</sup>. Unfortunately this research has not been published and it remains unclear who carried it out. One would hope however that it has been presented in evidence to the Select Committee and that committee members will have an opportunity to compare its findings with our own detailed analysis (paras 2.2-2.11 below). This analysis is based on figures obtained from Leeds Metropolitan District Council which cover all sales concluded between 1967 and March 1979.
- 2.2. As Table A (overleaf) shows, Leeds disposed of some 4,400 houses in the two bursts of activity between 1967 and March 1979. These sales are equivalent to 6.5 per cent of its current stock of houses and 4.3 per cent of its total stock of rented dwellings. Table A also reveals that three-quarters of sales have involved post-war houses. Expressed in percentage terms, sales of post-war houses were equivalent to 7.9 per cent of the current post-war stock, while only 4.8 per cent of the pre-war stock has been sold.

<sup>1</sup>Minister for Housing and Construction's statement to the press conference called to introduce "The Right to Buy" Consultation Paper. See *New Society*, 25 October 1979.

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- 2.3. Table A also presents crude figures indicating the spatial distribution of sales within the Metropolitan District in the form in which they were recently presented to local councillors. At first sight this information appears to confirm the contention that "a fair spread" of properties has been sold. But these categories are misleading given the fact that the five housing management sectors each spread from outlying rural areas and small towns (beyond Leeds City boundaries) through suburban communities to the inner city zones. As such, they all embrace a wide variety of building types, estates laid out in different periods and zones of the metropolitan district with very different characteristics and amenities. Table B breaks down the distribution of sales into the 22 Housing Management Office (HMO) Areas and expresses the number of houses sold as a percentage of total local authority stock in each area.

Table A  
Leeds Estate Stock Sold 1967-March 1979 by Area and Period of Sale

		pre-war	post-war	area totals
North East	1967/73	134	322	456
	1976/69	161	284	445
		295	606	901
North West	1967/73	26	329	355
	1976/79	100	258	358
		126	587	713
East	1967/73	110	425	535
	1976/79	203	308	511
		313	733	1,046
South	1967/73	78	204	282
	1976/79	171	433	604
		249	637	886
West	1967/73	27	291	318
	1976/79	61	258	319
		88	549	637
Sub totals	1967/73	375	1,571	1,946
	1976/79	696	1,541	2,237
Total estate stock sold		1,071	3,112	4,183
Miscellaneous dwellings sold				215
Total sales				4,398

Table B (overleaf) reveals that there are 6 districts where less than 3 per cent of the stock has been sold: Hunslet (0.4 per cent), Dewshury Road (1.1 per cent), Lincoln Green (2 per cent), Studley Grange (2.2 per cent), Otley (2.5 per cent) and Rothwell (2.6 per cent).

- 2.4. The first four districts on this list can be described as inner urban ones; the last two are outlying towns beyond the continuously built-up area, which were incorporated into the Metropolitan District on reorganisation. There are five districts where the equivalent of over 6 per cent of the stock has been sold: Moortown (9.8 per cent), Horsforth (7.3 per cent), Middleton (6.2 per cent), Seacroft (6.5 per cent) and Belle Isle (9.1 per cent). Horsforth is situated on the extreme north-west corner of the city, while Moortown is a favoured suburb in the popular northern part of the city. In these districts owner-occupation is the norm, as it is in Middleton in the south. Seacroft and Belle Isle are also outlying, in the east and south respectively, but here council estates with a high percentage of post-war houses predominate.
- 2.5. Against these six low sales districts and five high sales districts, there are eleven districts where disposals equal between 3 per cent and 6 per cent of the stock. However, the data available does allow us to examine the pattern of sales within some of these districts. In the case of the West Leeds Housing Management Office district, where a number equivalent to 3.7 per cent of the stock has been sold (close

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[Continued]

to the 4.3 per cent average for the Metropolitan District as a whole), these figures reveal that four of the nineteen listed developments account for 193 of the 249 houses sold. In the case of North Leeds HMO area, two out of nineteen developments account for 143 out of 199 sales completed by March 1979. This uneven pattern of sales within areas is unsurprising in that many of the housing management districts embrace stock within which there is a large variety of developments built at different times to different standards.

Table B

**Sales by Housing Management Office and per cent of Stock Sold**  
(includes miscellaneous properties)

Area	Management office	No. Sold	% of Stock Sold
North East 994 sales = 4.4%	Gipton	231	= 4.5%
	Lincoln Green	107	= 2.0%
	Meanwood	143	= 4.0%
	Moortown	376	= 9.8%
	Wetherby	108	= 5.2%
	Studley Grange	29	= 2.2%
North West 748 sales = 4.6%	Aireborough	80	= 3.3%
	North Leeds	247	= 3.5%
	Horsforth	381	= 7.3%
	Otley	40	= 2.5%
East 1,086 sales = 5.2%	Garforth	130	= 3.5%
	Seacroft	769	= 6.5%
	York Road	187	= 3.2%
West 655 sales = 3.9%	Pudsey	165	= 3.6%
	West Leeds	249	= 3.7%
	Sandford	241	= 3.8%
South 915 sales = 3.9%	Belle Isle	387	= 9.1%
	Dewsbury Road	61	= 1.1%
	Hunslet	11	= 0.4%
	Middleton	210	= 6.2%
	Morley	160	= 3.3%
	Rothwell	86	= 2.6%

2.6. Further evidence is available on the pattern of sales within areas from a survey conducted by the Shelter Regional Office and reported in the November 1979 issue of *Roof*<sup>3</sup>. This studied the distribution of sales in the Seacroft district, where Table B shows that 6.5 per cent of the stock has been sold. Among its findings were:

- (1) the most readily sold houses are those overlooking green belts and parkland on the edge of estates, on corner plots, or set back from main roads with wide grass verges;
- (2) houses that are not directly overlooked have a tendency to be sold;
- (3) houses are readily sold if they are close to good community facilities such as schools, shopping precincts and bus routes.

2.7. In summary, it would seem that within Leeds not only are disproportionate numbers of sales taking place in high amenity areas such as suburban Moortown, but the better houses are being sold within areas. This was confirmed by a ward councillor interviewed in the course of research for the study sponsored by CHAS who, from observation of his own area, considered that sales mainly involved houses built in three separate periods — in the late twenties, in the late forties, and high-quality developments of recent years. Significantly, the first two of these types were built when a conception of public housing as meeting general needs rather than as residual welfare role held sway. The properties that are apparently less likely to be sold are those erected in the middle thirties, the middle and late fifties, and system-

<sup>3</sup> *Leading Evidence*, by Steve Bilcliffe, *Roof*, November 1979.

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[Continued]

built houses of the more recent era. These include types of dwelling known to have had condensation problems and other properties which, although less than ten years old, now require major structural repairs.

- 2.8. Clearly as soon as one moves beyond a very superficial analysis, the assertion that a fair spread of houses is being sold becomes untenable. It may be argued that the differentials between areas are artificially inflated because hitherto in Leeds flats have been excluded from the sales campaign, and that by extending the "right to buy" to flat dwellers the measures included in the Housing Bill will reduce the differential between areas. This overlooks the fact that sitting tenants clearly exercise consumer choice, and that the overwhelming evidence of transfer requests is that people want to live in houses with gardens. Evidence from elsewhere also suggests that even where flats have been available for sales, very few have been purchased: thus in Birmingham 10,000 sales between 1966 and 1975 included only four flats; only 3 per cent of GLC sales between 1977 and 1979 involved flats; and in Bromley a pilot scheme for the sale of flats was abandoned due to lack of interest. In Newcastle between 1968 and 1975 only 2 per cent of sales were flats, while 82 per cent were high-quality houses built under the Housing Acts of 1924 and 1946<sup>3</sup>.
- 2.9. The evidence on the spatial distribution of sales in Leeds presented above reinforces the conclusions of the detailed examination of the spatial distribution of sales in Birmingham carried out by R Forrest and A Murie<sup>4</sup>. In summary, their findings were that sales were concentrated in the desirable outer ring estates where there is a predominance of houses with gardens. Major estates in the inner wards had no sales. A similar dynamic is evident if one considers the impact of council house sales on the tenure map of London as a whole<sup>5</sup>. Between 1973 and 1978 the Outer London boroughs sold over 4,300 houses as against less than 900 sold in Inner London. Only 16 per cent of sales concluded by the GLC in the first two years of its "sale of a century" have been in Inner London. It is true that the "right to buy" legislation will break down the ability of Inner London boroughs to resist selling. But there are a number of important factors which militate against the narrowing of the gap between the inner and outer boroughs' rate of disposal: these include the greater proportion of flats in the inner zones and their lack of popularity with purchasers; the high cost of land in the inner city and the specific provisions which prevent disposal of dwellings built after a certain date at less than cost price; and the matching of large numbers of lower income households with a generally higher cost of living<sup>6</sup>. In short, it would seem that a greater proportion of dwellings will continue to be sold where the proportion of council stock (as a percentage of total housing stock) is relatively small.
- 2.10. The effect between areas is also apparently being reproduced within areas. The work done in Birmingham showed that sales were highest on relatively popular estates with the lowest rates of turnover — estates to which people generally sought transfer rather than ones from which they wished to be transferred. The evidence available from Leeds suggests that the same pattern is manifesting itself there<sup>7</sup>. As Forrest and Murie wrote, "It is assumed that the sale of council houses will make inroads into those estates which have become distinct (because of local authority grading and dumping policies, unpopularity of estates, and policies towards problem families). But these are the very estates which will only be affected by council house sales because of the reduction in alternative housing, in choice and in the public sector. It is these estates which will become more reminiscent of residual welfare housing on the American model<sup>8</sup>." In Leeds, evidence of such a process at work

<sup>3</sup>See Benwell Community Development Project, *Slums on the Drawing Board*, 1978.

<sup>4</sup>Ray Forrest and Alan Murie, *Social Segregation, Housing Need and the Sale of Council Houses*, Centre for Urban and Regional Studies, University of Birmingham, Research Memorandum 53, July 1976.

<sup>5</sup>See p. 20-21 of *A Giant Step Backwards—Council House Sales and Housing Policy*, CHAS Occasional Paper No. 5, 1980.

<sup>6</sup>As a recent GLC research report estimated, the cost of living in inner London is 14 per cent higher than the national average, primarily because of housing and transport costs.

<sup>7</sup>For a fuller discussion of the implications of this pattern, see *A Giant Step Backwards*, p. 11-12.

<sup>8</sup>Forrest and Murie, *op. cit.*, p. 37.

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[Continued]

recently led the Liberal Party to propose limiting the number of sales on any one estate and introducing a differential scale of discounts designed to encourage sales on the less popular estates<sup>9</sup>. Under the new legislation currently being considered by Parliament such arrangements, conceived from a genuine desire to promote tenure mix, will become illegal.

- 2.11. Having reviewed available research, the Catholic Housing Aid Society is convinced that in the past sales of council houses to sitting tenants have not embraced "a fair spread" of local authority stock. Furthermore, we can see no reasons why the evident tendency for sales to disproportionately involve housing of high amenity in relatively popular areas will moderate in the future. The social implications of this tendency are considered in the next section.

3. (Question i) *What impact will the sale of council houses have on the local authority housing service and on those households unable to buy their own dwelling?*

(Question v) *Do you consider there are particular consequences of the sale of council houses for particular groups of households (eg those with low incomes, the elderly, racial minorities, single parent families)?*

- 3.1. Analysis of the impact that a major expansion in council house sales will have on the local authority housing service, and on the access to rented housing enjoyed by particular social groups in the population cannot be separated from consideration of other trends currently affecting the public sector. Successive cuts in public sector investment have already laid the basis for a further substantial slowing down of the rate at which most local authorities will be able to house applicants in the coming years. CHAS believes that the sale of council houses will serve to reinforce the pressures stemming from the radical reduction in public sector building that is taking place, and that the interaction of these two developments will have severe social consequences.
- 3.2. The new Housing Bill marks a definitive break with past practice in that for the first time the decisions about whether or not to sell to sitting tenants, how many units and which types of housing to sell, will be removed completely from the sphere of local authority discretion. As such, it marks the first major legislative change affecting council house sales since 1952, when the requirement that council should sell for the best possible price was removed from the statute book. Since the wartime embargo on sales was lifted (in 1951), local authorities have been guided by a succession of circulars (known as general consents). But apart from Circular 42/68, which was withdrawn in July 1970, these circulars have not imposed limits on the number of houses that could be sold by local authorities wishing to promote sales to sitting tenants. As Table C shows, the numbers sold in each year have fluctuated considerably since the mid-sixties. These fluctuations have resulted from the interaction of numerous factors including: changes in political control at the local level (particularly important in the larger urban authorities); the changing ratios of rents, wages and house prices; and the nature of the advice issued from Whitehall.

Table C

## Council House Sales — England &amp; Wales including New Towns

1951-59	14,022	1969	9,094
1960	3,169	1970	7,367
1961	4,148	1971	20,652
1962	5,061	1972	61,957
1963	4,158	1973	41,831
1964	4,282	1974	5,372
1965	4,369	1975	2,650
1966	5,825	1976	5,877
1967	5,497	1977	13,013
1968	10,434	1978	28,344

Source: Housing & Construction Statistics, Department of the Environment

<sup>9</sup>See Leeds Metropolitan District Housing Committee Minutes, 23 June 1979.



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[Continued]

- 3.3. In the past, total sales activity has not, however, been a major constituent of the changes that have occurred in the balance between different tenure groups in the housing market. Thus between 1938 and 1960, the total stock of owner-occupied dwellings increased substantially as a result of the addition of 1.3 million newly-built dwellings and the net transfer of 1.5 million previously rented dwellings into owner-occupation. Only 0.6 per cent of this total increase resulted from sale of council dwellings and only 1.5 per cent of the dwellings transferred into owner-occupation originated in the public sector<sup>10</sup>. Between 1960 and 1975, 2.6 million newly-built and 1.1 million previously rented dwellings were added to the stock of owner-occupied dwellings. Council house sales accounted for 5.2 per cent of the total increase and 17.5 per cent of the transfer from renting to owner-occupation. These transfers have themselves been compatible with an expansion of the public sector because the number of houses built annually by local authorities has far outweighed the numbers sold. This has not been true for every locality or authority, however. For example, in 1978 the GLC sold 3,706 properties and started to build 3,136; Birmingham sold 2,179 and began 1,467; and Nottingham sold 2,157 and began 329<sup>11</sup>. And it is now clear that the first years of the 1980s will be the first period in the history of local authority housing provision when sales have outweighed public sector completions at the national level.
- 3.4. It has been claimed that council house sales to sitting tenants do not affect the housing opportunities of those on the waiting list because those households that purchase would not have moved out of the public sector in order to buy. For a number of reasons this contention is extremely misleading. Although surveys indicate that many purchasing households would have been unlikely to move in order to become owner occupiers, a substantial number of tenants have in the past moved out of the public sector in order to purchase each year<sup>12</sup>. In 1971 the figure was 66,000. Given the introduction of discounts ranging from 33 per cent to 80 per cent it would seem likely that a substantial number of these households will now choose to purchase the dwelling they live in rather than move in order to become owner occupiers. Where this occurs there will be an immediate reduction in the number of re-lets available to those on the waiting list who cannot afford to buy. (Where housing authorities choose to follow a policy of holding previously rented or newly completed dwellings empty for sale on the open market the effect is the same<sup>13</sup>. Not all council house sales lead to an immediate loss of re-lets. But all sales contribute to a continuing and cumulative loss of relets as dwellings previously owned by the local authority (which would have been re-allocated according to criteria of housing need) change hands on the open market. It is possible to estimate that Leeds, for example, is currently foregoing an average of 78 vacancies a year as a result of sales completed between 1967 and 1973<sup>14</sup>. As a result of further sales already completed before March 1979 this will rise to an average of 175 by the beginning of 1984 — and the cumulative loss will continue to increase in proportion to the number of sales completed under the new provisions. Given the magnitude of the reduction in spending on new public sector building recently announced, and the impact this will have on Leeds' already truncated programme, the loss of re-lets will be an additional factor militating against many of the 17,000 households on the city's waiting list gaining access to council housing in the coming years.
- 3.5. The tendency for more desirable properties in more sought-after areas to be sold means that the sale of any given number of houses will usually adversely affect the housing aspirations of many more households in the public sector than would be

<sup>10</sup>Calculated from Table 1.24, *Housing Policy Technical Volume I*, p.39, HMSO, 1977.

<sup>11</sup>*Local Housing Statistics*, HMSO.

<sup>12</sup>For a full discussion of the characteristics of purchasers, their attitudes and expectations see Chapter 6 of Alan Murie, *The Sale of Council Houses: A Study in Social Policy*, Centre for Urban and Regional Studies, University of Birmingham, 1975.

<sup>13</sup>Nottingham, West Norfolk, the Greater London Council and the London Borough of Wandsworth are among the local authorities pursuing such a policy. In Nottingham the transfers fell by 50 per cent in the year after the policy was adopted.

<sup>14</sup>See Forrest and Murie, *op. cit.*, p. 19-22 and Appendix, p. 44-50 for a statement on research methodology.

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[Continued]

apparent at first sight. Like many other local authorities, Leeds' management strategy embraces a policy of "filtering" — whereby tenants are offered better properties after initially being let less desirable units — and thus it is common for vacancies in popular areas or dwelling types to result in one or more transfers, with waiting list applicants being assigned to the vacated dwellings. Applications to transfer can be submitted by tenants in occupation for a year — and as a general rule, applicants in arrears will not be transferred. The Housing Department was not able to provide a figure for the number of transfer applications now current. However, a leading member of the Housing Committee believed 18,000 to be the approximate total<sup>13</sup>. The housing managers' reports indicate that very high pockets of demand for transfers often exist beside relatively popular estates. Thus in Belle Isle (sales=9.1 per cent of stock), estates of well-built houses with gardens stand near to unpopular pre-war developments where there is "a marked reluctance" to accept tenancies because the environmental standards are so low<sup>14</sup>. Of the 387 dwellings that have been purchased in Belle Isle, only 23 are of pre-war origin, indicating that sales will have the effect of reducing mobility between the two types of housing.

In Searcroft, the loss of vacancies resulting from sales already completed will be running at thirty a year by 1984 and rising. In March 1979 there were 1,577 people on the waiting list for this area and 2,400 applications for transfer held at the local office. The stock totals less than 11,000 and as we have learnt from Shelter's survey it is the most desirable houses that are being sold. The local manager has reported that rehousing progress is already very slow, even on medical grounds.

The Leeds Planning Department report, *Identification of Areas of Multiple and Social Deprivation*, makes clear that throughout the city there are particular sets of streets where housing conditions are poor and where "those least able to cope . . . either through poverty or inability to manage financial problems in the home, tend to be given or remain in the poorest housing"<sup>15</sup>. In the inner zones there are larger concentrations of people trapped in the bad housing conditions; Hunslet Grange, a development of over 1,200 flats, provides a prime example. These flats were completed in the early seventies: 300 of them have been "affected by water penetration"; others have condensation problems. They were built at a high density without adequate community or play facilities and the predictable result has been vandalism. The flats are all electric, and the Yorkshire Electricity Board is, as one housing manager put it, "quick on the draw" when it comes to getting tough with people in arrears. As a result, people tended to pay YEB bills ahead of rent, then got into arrears and fell foul of the transfer rules. Since then, the Council has taken a number of steps (including increased transfers and letting to students) to tackle the problem. But the fact is that such problems are by no means confined to Hunslet Grange. They are evident wherever under-investment and/or bad design has led to the erection of poor quality housing. Nobody is likely to buy in the slums of today or tomorrow — and where they do buy the affect on lettings and transfers will inevitably reduce the Council's long term ability to confront the problems that exist both inside and outside the public sector.

- 3.6. Existing council house purchasers do not represent a cross-section of tenants. Firstly, as already demonstrated, they tend to be occupiers of desirable houses in sought-after areas. Secondly, as has been demonstrated by a substantial number of surveys, "the typical council house purchaser is a long-established tenant, in middle age, with a fairly large family growing up, earning above average wages, in a skilled manual occupation and often with more than one wage earner in the household"<sup>16</sup>. The new scale of discounts (33 per cent for tenants of three years' standing), and the right to joint mortgages involving up to three members of a household, may lead to the characteristics of the "typical purchaser" shifting somewhat. But it is an entirely reasonable assumption that, as before, families with many children single

<sup>13</sup> Interview conducted with Councillor Arthur Miller, November 1979.

<sup>14</sup> Area Manager's Report, April 1979, included in Housing Director's Quarterly Report to the Housing Committee.

<sup>15</sup> Quoted in *The Social Base of Leeds*, p. 10-11, Leeds Workers Educational Association, 1977.

<sup>16</sup> Forrest and Murie, *op. cit.*, p. 14.

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parent families and families with very young children will be under-represented among purchasers. In any event, what is certain is that the 44 per cent of council tenants in England and Wales who are dependent on supplementary benefits or rent rebates will not be among the purchasers. For them the right to buy is a right that cannot be exercised.

- 3.7. The current extension of council house sales amounts to a programme for a cut-price sale of assets held by local authorities. Some redistribution of wealth will take place, because purchasers are able to buy at a minimum discount of 33 per cent on market valuations which can be up to two years out of date (under the option to purchase provisions) and are then able to sell in five years at full market value. But the local authority is not a commercial company, and for all its imperfections it employs assets to provide services on a non-profit-making basis. The services it provides in the field of housing are in the main distributed according to need and disproportionately benefit low income groups; they form a part of the "social wage". But if these assets are not replaced, the sum of that social wage so provided will decline, as will the standard of the service. Thus the redistribution of wealth which benefits some working class groups is being achieved at the expense of those less well housed, whose housing opportunities are reduced in direct relation to the increase of opportunity enjoyed by the purchasers. The purchasers of council housing are not those trapped in the cycle of poverty; those who will lose include a majority of those living on very low incomes. To the extent that this latter category includes disproportionate numbers of elderly, single parent and black households CHAS believes that the current extension of council house sales will in time have serious adverse consequences for those groups and for social relations in this country.
  - 3.8. The Catholic Housing Aid Society would like to endorse the submissions of those bodies that have argued that the impact of "the right to buy" on the local authority housing service is potentially very serious<sup>19</sup>. In terms of local authority housing allocation, compulsory sale of council houses to sitting tenants will introduce an unpredictable element into a situation of extremely restricted supply in many rural areas. In such areas, where the public sector stock is spread extremely thinly, casual vacancies are inevitably infrequent in many villages. At the same time applicants usually have very specific needs: an offer of housing several parishes away from the community where they live and work will be totally inadequate. The implications of the loss of re-lets stemming from sales are made more serious because of the formidable barriers which stand in the way of expanding or replacing the public sector stock in many rural areas: land prices have been driven up with house prices as many localities have experienced an influx of commuting managers, professionals and second home owners. Many country structure plans include settlement policies which radically restrict further development in rural parishes and as a result building plots often fetch very high prices; other parishes are often the subject of embargoes, either because of a shortage of school places or because of the inadequacy of drainage and sewerage infrastructure. The economics of building also work against erecting small numbers of units in different locations.
- Evidence from a recent study of housing in East Hampshire shows that, in this rural area at least, a greater proportion of the stock is being sold in the smaller villages where owner occupation already predominates<sup>20</sup>. If this occurs throughout the rural districts the consequences will be serious in that the exclusion of lower income groups from villages where private rented accommodation has often all but disappeared will be furthered by elimination of council stock that there is little prospect of replacing.
4. (Question ii) *What impact will there be on the housing market as a whole and on questions of mobility and choice in housing?*
  - 4.1. It has already been argued above that a large rise in council house sales will — in

<sup>19</sup>See among others the Standing Committee of Rural Community Councils' Reply to the Consultation Paper on the Right to Buy.

<sup>20</sup>David Clark, *Rural Housing in East Hampshire*, National Council of Social Service, January 1980.

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the context of a sharp decline in public sector building — have the general effect of increasing the opportunities for mobility and choice for better-off council tenants, while reducing opportunities for the much larger group of existing and prospective council tenants who will not purchase their dwellings, either for financial or environmental reasons. If, over the next decade, large repeated rent rises are combined with the "right to buy", it seems extremely likely that the effect in many areas will be to reduce substantially the proportion of households who are living above the poverty line in public sector housing. This will happen even as dwellings possessing amenities already associated with owner-occupation are the very ones to be lost to the public sector. In such circumstances the differences between the two major tenures would become even more marked than at present. There is a real danger that the public sector could in time become a stigmatised and perhaps increasingly debt ridden reservoir of bad housing for poor people.

Within this general perspective we would like to make three specific comments in relation to question ii; these concern the difficulties which purchasing tenants may encounter, access to the public sector for single people and arrangements for mobility within the public sector.

- 4.2. The financial benefits accruing to purchasers of council houses are considerable. They are able to acquire good quality housing discounted from a market valuation that is in any case usually below that for private sector dwellings of equivalent amenity. The purchasing tenant begins to hire-purchase an appreciating asset, the value of which rises in line with property prices generally, and can realise a very substantial capital gain by selling it on the open market after a five-year period has expired. By paying more for housing now, the buyer will not have to pay rent after retirement and there is always the possibility of selling the house in order to move to a more pleasant area or for reasons of employment.
- 4.3. It seems unarguable that the right to buy will in current circumstances have the effect of extending owner-occupation to people who would not otherwise have bought freehold property. One example from South London illustrates this clearly; a father and son are buying the three-bedroomed council house where the family has lived for thirty years on a joint mortgage; both work in what are labelled "skilled manual" jobs. Discount will reduce the price of what is a good house with a garden from £25,000 to £12,500 in an area of the South-East where the ratio between average house prices and average earnings is high. The son and daughter-in-law would not have been able to buy separately, nor were they able to get housed by the council; indeed, they were well aware that because of slowing council building they could be on the waiting list for a very long time indeed. As a result of this set of circumstances, the younger couple moved into the parents' house with their baby. All partners recognise that there is a possibility of overcrowding as the younger family grows, and also of difficulties as the parents become more dependent on the younger generation. In time, they hope to build an extension to counter the shortage of space, and their main worry is that one or other of the principal wage-earners will be made redundant and have to move to lower paid work.

Clearly, although everything may work out well for this particular family, the process of extending owner-occupation will not be without its casualties; especially as the discounts create an impression that there is something too good to be missed on offer, at a time when rents are rising sharply. Nationally, mortgage default is already as significant a cause of homelessness as rent arrears — each accounting for 6 per cent of those accepted by local authorities during the first half of 1978<sup>21</sup>. The latest figures available for Leeds indicate that 15 per cent of the families accepted as homeless during 1976/77 approached the council as a result of either their own or their landlord's mortgage default. And a study of people buying in the private sector with a local authority mortgage from Birmingham revealed that 16 per cent of those purchasing between 1964 and 1971 had, by 1975, either had their home repossessed, sold to avoid repossession, fallen into arrears, or taken out a second

<sup>21</sup> *Hennard*, 25 July 1979, col. 253.

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mortgage because of financial difficulties<sup>22</sup>. Others may be able to maintain mortgage payments but will find repairs difficult to carry out. Still others, will find that major structural faults become apparent after purchase of system-built dwellings. This said, however, the fact remains that the majority of people able to buy are likely, in the present circumstances, to have both their housing opportunities and financial status enhanced.

- 4.4. It is people who both in the immediate future and in the longer term, will continue to seek housing in the public sector who stand to lose through council sales.

The degree of damage done to a particular local authority's ability to offer housing for rent will depend on the interaction of many factors — but that this damage will occur should be beyond dispute. Similarly, the degree to which flexibility in meeting aspirations for better housing within the public sector is eroded will depend on many factors, not least the balance between dwelling types within the existing stock and the degree to which the tendency for the best housing to be sold operates in any one area. The existence of this tendency should also now be beyond dispute.

- 4.5. Since the mid-seventies it has been accepted by many that single people (who in the past have generally been excluded from local authority provision) should have greater access to housing in the public sector. The reduction in housing investment is now a major factor militating against the retention or extension of schemes providing access to public sector housing for single people. Thus, for example, as part of its reassessment of policy in the light of the cuts the London Borough of Islington has recently discontinued its "shared single" scheme, whereby flats on "hard to let" estates were let to groups of single people. Given that council house sales lead to a loss of relets one effect of a massive rise in the number of sales concluded would be to further reduce the chances of improving access to local authority rented housing.

- 4.6. In recent years it has also been argued that increasing opportunities for mobility between areas must be a priority at a time of industrial contraction and unemployment. Council housing has in the past been developed and run as a local service and in the past inter-authority arrangements have tended to be weak, while many local authorities have retained substantial residential qualifications as part of their allocation procedures. The last Government's Housing Bill 1979 (which fell with the General Election) included proposals for a compulsory mobility scheme that would have benefited those needing to move for work reasons. The proposals however would not have benefited retired people and other groups requiring access to public sector housing elsewhere for social reasons. It is clear from the cases dealt with by both the CHAS national office and its affiliated local groups that there is an urgent need for those groups to benefit from a national mobility scheme.

On the 6th of March the Minister for Housing and Construction outlined a new scheme aimed at improving housing mobility for council tenants. This scheme is voluntary and will "enable housing authorities to make available a number of lettings each year for people who move into their areas from within the same county area...District Councils, the London Boroughs and Greater London Council will make 1 per cent of their lettings available to people who want to move into their area from another metropolitan or non-metropolitan county, or outside Greater London. The plan is aimed mainly at council tenants already high on waiting lists who need to move quickly because of work reasons".<sup>23</sup> The voluntary nature of this scheme, and the abandonment of previous proposals, reflects the resistance of many local authorities when it comes to making scarce resources available to "outsiders" at a time when they are experiencing increased difficulty in making any progress at all in housing local people from waiting lists.

In our submission the proposed scheme is totally inadequate in that it fails to take into account the needs of the elderly and one parent families to move for social

<sup>22</sup>Valerie Kain, "Pity the Poor Home Owners," *Roof*, January 1979.

<sup>23</sup>*The Guardian*, 7 March 1980.

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reasons and, in addition, will be ignored by many local authorities. Thus, within a day of the Minister's announcement, the Leader of Hillingdon Borough Council had rejected participation in the scheme on the grounds that "we've done our bit but we cannot cope with people on the waiting list, let alone outsiders. We don't want to have people from Bangladesh, why should we want people from Manchester?"<sup>24</sup> To the extent that sales reduce relets and constrain local authorities in their attempts to meet the housing aspirations of those who cannot buy, the current extension of council house sales will reinforce such attitudes and put further off the evolution of effective mobility arrangements for public sector tenants.

17 March 1980.

<sup>24</sup>*Evening Standard*, 8 March 1980.

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## APPENDIX I

## Research on Council House Sales

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## APPENDIX II

## Sales by Housing Management Office Area (1967-May 1979)

	% of public sector stock sold	Sales as a % of property available for sale (all flats excluded)
North East		
Gipton	4.5%	6.5%
Lincoln Green	2.0%	11.5%
Meanwood	4.0%	4.8%
Moortown	9.8%	17.6%
Wetherby	5.2%	7.3%
Studley Grange	2.2%	9.3%
North West		
Aireborough	3.3%	4.5%
North Leeds	3.5%	8.4%
Horsforth	7.3%	10.4%
Otley	2.5%	3.8%
East		
Garforth	3.5%	5.1%
Seacroft	6.5%	8.7%
York Road	3.2%	5.4%
West		
Pudsey	3.6%	5.5%
West Leeds	3.7%	8.0%
Sandford	3.8%	5.8%
South		
Belle Isle	9.1%	11.5%
Dewsbury Road	1.1%	2.4%
Hunslet	0.4%	1.2%
Middleton	6.2%	7.3%
Morley	3.3%	4.4%
Rothwell	2.6%	3.5%

Source: Leeds City Council, Department of Housing, Schedule of Council House Sales, June 1979 (made available to The Catholic Housing Aid Society, May 1980).

12 June 1980.



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[Continued]

## APPENDIX III

Within the limitations imposed by the duration of the Committee's investigation and other work, CHAS has not been able to collect detailed data on this question. However, in amplification of the points made during oral evidence, CHAS would like to make the following general comment. The arguments presented by the Leader of Wandsworth Borough Council rely heavily on the supposition that the sale of council stock will create a lower price band of owner occupation within the borough, and that this will have a sufficient beneficial effect on the local economy by reversing the tendency for the proportion of skilled manual workers within the borough's population to fall.

It is undoubtedly true that, in the past, lack of building for sale by both the public and private sector has meant that some middle income households wishing to purchase have moved to suburban areas. There is little or no hard evidence, however, to support the contention that a shortage of skilled labour was a significant factor in the decline of London manufacturing during the last two decades, or that such a shortage is a constraint on new investment now. Nor will council house sales have more than a highly marginal impact on the tendency for skilled manual workers to move out. Some households who might have moved may stay for some time as a result of purchasing as sitting tenants with the benefits of high discounts, but once the dwellings concerned are re-sold the purchase price will rise to the level determined by surrounding market values. No discounts will be available to the next purchasers and — given the fact that as elsewhere the better dwellings are being sold in Wandsworth (see Battersea Redevelopment Action Group, *Sell The Best — Stuff The Rest*, 1979) — it is extremely unlikely that any of these houses will become available at prices within reach of households who could not have bought anyway. As the experience of the last ten years has shown houses prices in Wandsworth are largely determined by what the growing proportion of professional and managerial households in the borough's population are able and willing to pay.

12 June 1980.

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MR R KAHN, MR A FRIEND and MR D CLARK

[Continued]

## Examination of witnesses

MR AUSTIN WINKLEY, Chairman, MR ROBERT KAHN, Director, MR ANDREW FRIEND, Research Worker of the Catholic Housing Aid Society and MR DAVID CLARK, Chief Rural Officer (National Council for Voluntary Organisations), called in and examined.

Chairman

643. Thank you very much for coming and for the trouble which you have taken in the preparation of your evidence. The evidence you prepared for us in reply to our specific questions has been very helpful and Members of the Committee felt it would be useful if you could come and amplify it on various aspects. May I start by asking you to introduce yourselves?

(Mr Winkley.) I am Austin Winkley, Chairman of the Catholic Housing Aid Society, Mr Robert Kahn is Director and Mr Andrew Friend our Research Worker. Mr David Clark is the author of a report on rural housing in East Hampshire and Mr Clark's position here particularly is in regard to rural questions. If it is acceptable, policy matters I would prefer to see handled generally by Mr Kahn, that is any questions that relate to the policy of our Society, and questions about research are probably more appropriately addressed to Mr Friend. Would it be appropriate to give you a very brief word about our Society? I think it is important to understand that the Catholic Housing Aid Society is concerned with giving housing aid advice. It is also concerned with the needs of housing in general. The advice that we give and the involvement we have are regardless of creed, so when we give advice to anyone who comes to us, we do not ask their religion. It is useful to understand that. We have about 30 local groups around the country who do what you might call the grass roots work. Although we operate at this level as well as from London, equally we offer some housing advice and work with other agencies. I think we might say we have a fairly wide spread of concern in housing and have special links with organisations who are concerned with minority questions, with marriage and so on.

644. Turning to the written evidence you have given us, you argue that in Leeds in particular — if we can start with Leeds — council house sales have been disproportionately concentrated in the more attractive areas and upon disproportionately more attractive dwellings within those areas. Can you tell us how far you think the

distribution of flats among the council stock could account for the variations — we know from all the evidence we have received that flats are very much more difficult to sell than houses?

(Mr Friend.) Perhaps I could answer this question. Certainly the distribution of flats must be a factor, we feel, in the emergence of the spatial pattern of sales that is evident in Leeds. Unfortunately, at the time we presented our evidence to the Committee we were not able to obtain figures from the Council on the distribution of flats. However, within the last week we have obtained a detailed schedule of the distribution of sales between estates and areas, which we have taken the opportunity to present to the Committee as Item 3 of our additional evidence. We did this in particular because we felt that Appendix IV of the written evidence presented by Leeds to the Committee did not give a very clear idea of the distribution of sales in the city, because it merely referred to the five management sectors. On the last page of the bundle of evidence, which is a summary table\* and draws out some of the conclusions from this new evidence, in the first column are the figures we did present as part of Table A in our original written evidence and they refer to the percentage of public sector stock sold in different areas. The second column is sales as a percentage of property available for sale; in fact it excludes maisonettes and multi-storey flats and gives an idea of the proportion of houses being sold in the different areas. Comparison of the two columns shows there is not only a strong tendency for a greater proportion of stock to be sold on the suburban fringe, but in some districts a high proportion of the relatively few public sector houses with gardens are being sold. If we take the first district of the city, the north east, Lincoln Green and Studley Grange, which is perhaps better known as the area of Leeds called Chapeltown, where there are a large number of urban aid projects funded by the Department of the Environment, in terms of total public sector stock, sales equal 2.2 per cent and 2 per cent respectively in these

\* See Appendix II, Page 210.

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[Continued]

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two areas, but in terms of non-flatted dwellings, in other words houses with gardens, sales equal 9.3 per cent and 11.5 per cent respectively.

Mr Winnick

645. When we had the evidence from Leeds, they disputed your description of the various districts, because we did in fact quote from the paper before us — not the one which you have just given us but from your earlier evidence — they said it would not necessarily be the position that where there are a higher number of sales, the areas are necessarily more attractive than another area, and we of course drew attention to Seacroft, which has clearly a very high percentage of sales. Are you satisfied yourselves that the areas where there have been a higher number of sales are considered more attractive? Leaving aside what you said about Studley Grange, are you satisfied if one part is inner city and the other part is not it is more attractive to potential house buyers?

(Mr Friend.) I personally am satisfied from interviews with Councillors and people who know the area and from the statistical evidence we have. Obviously we would have preferred to have been able to present evidence on transfer requests divided by areas, people requesting transfers out of an area and into an area. I was present when Leeds gave their oral evidence and I understand the Committee did not request that information from Leeds. I think from the specific examples we have been able to glean from the tenancy officers' reports, which are included in the quarterly reports of the Director of Housing, that people's individual subjective judgements, which some reference was made to, concerning the nature of areas do add up to significant trends. Could I quote some examples from those reports?

646. I have a supplementary question to ask you which perhaps you could answer at the same time. I see the Deputy Director of Housing is somewhat upset, according to his letter of the 7th January, that you did not directly make contact with his Committee and he considers that discourteous. Would you comment on that?

(Mr Kahn.) Yes, perhaps we might deal with that first. We did feel that our integrity was being questioned, particularly as we had approached Leeds Housing Department on four or five occasions. In particular we documented the fact that we approached

them. You will recall there, as item 1, the letter which the Deputy Director of Housing, Mr Pratt, wrote. In the first paragraph you will notice that he is complaining that we had approached the Council Members first. We took the view that that was an appropriate procedure. We chose to read all the minutes of the Housing Committee and to discuss with Members before approaching the officers and it was after about two weeks of work — and Mr Pratt was complaining. The reason we tabled the letter was to make it very clear that we had approached Leeds and had had written correspondence with them. In fact I think it is clear to you that the evidence that was submitted was obtained through Councillors from the Leeds Housing Department. So there does not seem to be any question — we are all talking about the same data.

Chairman

647. We do not need to spend much time on that, do we?

(Mr Friend.) On the question of the characteristics of different areas, there was some discussion on the 29th of last month as to what constitutes an attractive and popular area. I was interested to note that at one point the Assistant Director of Housing did agree to the proposition that the demand for sales was highest on higher amenity estates. But he then argued that ideas of an area are highly subjective and quoted the example of people living in Hunslet who would not wish to live at Seacroft or Moortown. I think this is true, but one needs a clear idea of the community geography of Leeds to realise what a misleading example it is. Hunslet is in the inner city part of Leeds; Seacroft is situated on the perimeter of an area to the east, and Moortown is in the northern part of the area. This has meant that there are fairly strong links between the inner areas of particular quarters of the city and the suburban fringe in those areas. This has happened with Hunslet —

648. As most Members of the Committee do not know the city of Leeds and consequently its details, could you summarise it? Would it be a fair summary to say that you now have more information than you had obtained before from Leeds? Could you tell us what effect the additional information you have obtained has had on your conclusions?

(Mr Friend.) I believe it confirms those conclusions and certainly the statistics, the

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[Continued]

[Chairman Contd.]

more detailed ones, confirm the arguments we are making in our written evidence.

Mr Dobson

649. Rather than continue to rehash Leeds, could I go on to say that it seems to me there are two aspects to this question of distribution. There is the macro-geographic thing about "X" being a nice suburb, and then there is also the micro-geographic question of, even in relation to one particular estate in either a nice suburb or an un-nice inner area, that certain houses may be more or less attractive from the point of view of buying. Could you tell us what other information you have from areas other than Leeds on this question of distribution, both on a broader scale and on a micro-scale?

(Mr Friend.) On the broader scale certainly we also looked at Bromley and obviously read the research that is available on Birmingham and other areas, and certainly the same pattern does seem to be evident in the larger cities. In London, for example, the outer London boroughs have been selling more houses than the inner London boroughs, and policy reasons have obviously affected that in the last five years — although I think there are reasons to doubt that the right to buy will reverse that pattern, because of the predominance of flatted dwellings in the inner city and their relative unpopularity with purchasers, which can be demonstrated from where flats have been available for sale. The figures for GLC sales provide a point of comparison with both Leeds and Birmingham. We quote one figure in our written evidence, but there is more detailed information available. 16 per cent of sales between 1977 and September 1978 were in inner London from the total GLC sales. But more recent information, which was given to the Council and is recorded in the GLC minutes for 16 October last year, which shows in fact that in covering the period where high discounts have been in operation, only 12 per cent of the sales since 1967 conducted by the GLC have been completed in the inner boroughs.

650. 12 per cent are what?

(Mr Friend.) Only 12 per cent of GLC sales have been in the inner boroughs; 53 per cent have been in the outer London boroughs; and 35 per cent have involved GLC property outside the perimeters of the GLC area.

(Mr Kahn.) That is a percentage of total sales, so the smallest number of sales has

been within the inner London boroughs.

Mr Scott

651. Of course as you rightly said just now, there is a political scene. The inner London boroughs are in control of — (Mr Friend.) This is GLC sales — sale of GLC stock.

652. There is another factor, which is that outer London has a substantially higher population than inner London, something like 4½ million against just over 2 million, so one would expect to see more properties there and more being sold.

(Mr Friend.) If you analyse it in terms of the total of the GLC stock, on the same basis as the figures we presented on Leeds, it shows that 5.9 per cent of the GLC stock in outer London has been sold and 0.6 per cent of the stock in inner London.

653. You did imply that there was sufficient evidence of sales of flats to justify your assertion that they are relatively unpopular. So little sale has taken place of flats; it has not been the policy of most authorities to do that. Where would you say the bulk of that evidence came from?

(Mr Friend.) At various periods the GLC has been offering flats for sale, so that is relevant. In Newcastle 2 per cent of sales involved flats.

(Mr Kahn.) The GLC did take a poll in January 1978 of the 121,000 council tenants who were living in flats and only 3 per cent — 3,600 — wanted to buy their present flat. I think there is a larger interest in the scheme in which, unlike Leeds, tenants other than sitting tenants can purchase flats.

654. What is that compared with the figure for houses? You quoted 3 per cent. Was it only a poll of flat dwellings?

(Mr Kahn.) It was only a poll of flat dwellings as far as I am aware.

Mr Sever

655. I think the London experience shows that the percentage of flat sales is higher than in Birmingham. I think I am right in saying that of the first 10,000 properties sold by Birmingham local authority across the whole of the city only 4 of those properties were flats in fact, which does not come out as a percentage at all — it is less than 1 per cent. So I think it can be shown to be, and it is reflected in some of the figures in Leeds, that even where there is a policy to sell anything there is a very small

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[Continued

[Mr Sever Contd.]

percentage actually taken in high-rise flats. That is brought out by the research, including Leeds.

(Mr Kahn.) I think that is certainly the position, but we also followed up our preparation of this by contacting Birmingham Housing Department. This confirmed figures which you have just given and which were given earlier in the study. In fact there are now 18,500 houses which have been sold but still only four flats have been sold. But I think it would be important to note for the Committee that this is not simply a matter of general preference. We would personally agree with what you have said, but in fact the four flats that have been sold were sold as a unit in one block and the reason why no further sales of flats have occurred is because of the considerable amount of difficulty that I believe Leeds delegation also noted for you in terms of the sale of flats and legal difficulties that would occur.

Mr Dohson

656. Coming back from the question of the broader distribution to this question of the micro-distribution, what evidence have you to substantiate — or the reverse — the view that even in a small area it is the more attractive units that are being sold?

(Mr Friend.) If I could return briefly to Leeds, if we take Belle Isle which is an area on the southern perimeter, sales of the available stock have reached 11.5 per cent; 2.2 per cent of the pre-war stock has been sold and 15.9 per cent of post-war stock — that is available stock which excludes flats. The Management Officer's report for that area recently said that vandalism is on the increase in the unpopular pre-war estates; there are protracted voids due to vandalism and marked reluctance to accept tenancies because the environmental standards are so low. I believe the evidence the Committee will get on transfers between two types of property in that area will be significant. Only 2.2 per cent of pre-war stock has been sold and 15.9 per cent of post-war stock, which indicates that sales are not taking place in those council estates which are perceived as being not very pleasant environments to live in.

Mr Winnick

657. Is there any evidence to show that in areas where sales are higher there is a tendency for incomes to be higher too? Is there some data on the level of tenants' incomes in these areas?

(Mr Friend.) We do not have detailed evidence of that. There is also the Shelter survey of the distribution of sales on the large Seacroft estate, which shows that it does seem to be the higher amenity units that are being sold.

(Mr Kahn.) Would you like to pursue this in the rural areas with David Clark?

(Chairman.) I am anxious to get on to the question of relets, because the evidence we have on the pattern of sales is fairly consistent.

Mr Johnson-Smith

658. This question of the alleged losses of relets resulting from sales is of interest to us. They now become the property of an individual and they get into the owner-occupying structure. You seem to disagree with the analysis given by the Department of the Environment and take a rather serious view and appear to think it would lead to a substantial loss of relets.

(Mr Friend.) Yes.

659. Over what period of time?

(Mr Friend.) This would depend upon the extent to which an extension of large numbers of council house sales leads to a substantial fall in the number of council house tenants moving out to become owner-occupiers in the private sector. In the figures presented in the Department of the Environment's analysis, their appendix to the "Appraisal of the Financial Effects of Council House Sales", they say 30 per cent of annual relets result from such moves to owner-occupation. They argue in that appendix that council house purchasers are in the middle-age range, between 40 and 60, whereas people who have moved in the past to become owner-occupiers in the private sector tend to be in the younger age ranges, and relets occurring through household dissolution and death are in the higher age ranges. Running throughout that appraisal is the assumption that age distribution will be maintained. The evidence for this, I would suggest, is extremely scant and is drawn from surveys conducted in the West Midlands which involve sales between 1966 and 1973 at a time when, in nearly all cases, the maximum discount was 20 per cent and in nearly all cases one had to be a council house tenant for a substantial period of time before one qualified for a discount which made entry into owner occupation via purchasing as sitting tenants substantially cheaper than entering into owner occupation by buying in the private

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[Continued]

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market. Building society mortgages were in general during that period easier to obtain and cheaper to service and I would suggest we are now in a very different situation where 33 per cent discounts will be available to tenants of three years' standing, where 100 per cent mortgages will be available under the right to buy as of right, and where there are indications that mortgages in the private sector will continue to be substantially more expensive and harder to obtain over the coming period. In this situation, and given the current ratio of house prices to wages, it is impossible, almost wilfully misleading, to argue that no council tenants who would have bought in the private sector but for this current policy will now buy as sitting tenants. What we can expect is a substantial shift in the age distribution of council tenants buying. We already know from 1973 that when there was a squeeze on moves to owner occupation, the overall relet rate dropped fairly substantially in the public sector. In 1973/4 it dropped from 4 per cent to 3.25 per cent. Returning to the point I made at the beginning, if there is a significant squeeze on the 60,000 moves to owner occupation which I think a common sense reading of the current climate would indicate that there will be, there will be a fairly immediate loss of relets. The other point made in the appraisal of financial effects relates to what amounts to an assertion that because purchasing council tenants tend to be between 40 and 60, an assumption which we do not accept will hold, the loss of relets due to household dissolution is not serious. It may not be serious within the next ten years but there will be a very large squeeze on relets from household dissolution thereafter.

Mr Miscampbell

660. What do you mean by household dissolution, divorce or death?

(Mr Friend.) Death and moves to an old people's home.

661. That is not likely, in any case between 40 and 60, is it?

(Mr Friend.) No, but what the DOE argue is that therefore there will be no loss of relets. The loss of relets may not be immediate but the result, if the purchasers are concentrated between 40 and 60, will be a concentrated loss of relets further off in time.

Mr Johnson-Smith

662. Earlier we established that you

have attempted to establish that the proportion of dwellings that are likely to be sold are much higher in the house as opposed to a flat. Now you are suggesting too that those houses which would be let, rather a large proportion, will not be let because they come into the owner occupied sector. What is the total loss of relet of the total housing stock in the public sector, bearing in mind that in your view the majority of housing units being flats are unlikely to be attractive to potential owner occupiers, so we are looking ahead to that part of the housing stock which is houses in the public sector and gets out of that sector. What therefore is the loss of relets as a proportion of the whole?

(Mr Friend.) Using the DOE's figures presented in the financial effects appraisal, the research worker at Shelter has surveyed the evidence and comes to the conclusion that the loss of relets will be about 3 per cent annually in terms of the number of sales that take place. I think it is fairly difficult to predict at the moment how many sales will take place but certainly if over a fairly substantial period of time the right to buy is combined with fairly sharply rising rents and there is a general perception among council tenants, that there comes a point where by buying you will actually be paying out less in a few years than if you stay as a tenant, then a substantial proportion of the better off people who currently live within the public sector will leave the sector via purchasing their own house, if they are living in a house which they desire to purchase. But I think it is clear that many people do not want to buy their flats; they would prefer to wait for the chance to transfer to a better building within the public stock and then purchase, or perhaps move into owner occupation by buying in the private sector. But if that happens, loss of relets will be substantial and will be all the more serious if there is a continuing squeeze on the amount of lettings becoming available through new building. Certainly the public expenditure plans recently published, providing for a 48 per cent cut in total public expenditure on housing by 1983/84, would suggest that there will be a substantial squeeze.

663. It might be, but it might not, because earlier you were saying that in your view and based on the evidence that has so far come to light, there is a marked reluctance amongst the tenants in the poorer areas living in flats to purchase the freehold

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[Continued]

[Mr Johnson-Smith Contd.]

of the flat to become an owner occupier and therefore we can assume that that area will continue to remain in the public sector and therefore there will not be any change so far as relets are concerned. They will still be in the same proportion; there will not be any social or financial problem created by a policy of selling council dwellings because people are not going to take these dwellings up anyway. They are not going out of the public sector. Is that right?

(Mr Friend.) This is true. But 75 per cent of public sector housing is houses rather than flats. Within the flats, I think it would be fair to say, occur most of the problems that are most worrying to housing managers in terms of the number of structural difficulties that have emerged in system-built buildings.

664. If you want to look at housing from a social point of view and concentrate on those families most in need and concern yourself with social deprivation and the problems that effect some families and the lack of opportunity some families have to get reasonably well housed, this is the area you should concentrate on perhaps and not be quite so concerned about the better off tenants living in a house if they move out of the public sector. Why would you not adopt that attitude?

(Mr Friend.) Because if they move out of the public sector and it is the better dwellings that are being lost, the opportunities for transfer from those council estates that are becoming distinct in social terms are reduced and the opportunities, say, for improving the environment on those estates by reducing the proportion of children, by introducing single people to those estates, are reduced, so making sure whole estates do not become distinct because a very high proportion of the people are totally dependent upon benefits. If one is concerned with social mix between the different parts of the public sector, the repercussions of the sales policy are very serious.

665. But it is true, is it not, that there is no social mix in the poorer areas or in urban areas? As public housing was developed over the years, pre giving the right to tenants to buy, social policies designed to encourage social mixes have been conspicuous failures. What we have seen in inner urban areas is a desire increasingly for people to leave them and consequently the stock of housing in the inner areas is in

some instances becoming less desirable but in some areas it has begun to improve. Would not the policy of council house sales in the better areas enable councils to concentrate their efforts on urban renewal to ensure that in the inner areas they can improve the stock of privately rented accommodation and thus make them more desirable?

(Mr Friend.) Perhaps I can quote one example from Leeds. If you take the Studley Grange area, 2 per cent of the stock had been sold but 11.5 per cent of the houses have been sold in that area, so in inner areas people will buy if they like the dwellings they are living in. In that area an estate called Stony Rock was recently completed. That is an estate of 120 houses. The reports to the Housing Committee indicate there was a very high demand from local people once the estate came on stream calling at the housing office, asking for transfers from their flats and maisonettes. When letting was completed, 60 households with medical priority points were competing for the last 17 dwellings. This gives an idea of the scarcity of good housing, but it also shows the way in which the sale of those better houses in that inner area, even though a larger number of sales are taking place in those areas perceived as suburban and higher amenity values, will also have the effect of increasing social segregation.

Mr Dobson

666. I would like to raise a related point. Is it still true that the occupancy rate of council dwellings is higher than the occupancy rate of an owner occupied dwelling?

(Mr Kahn.) Yes, it is in the basic data that is available.

667. Have you given any consideration to that in your assessment of the fall in relets or CHAS's attitude to council house sales, or have you tried to estimate what the effect of it would be on the general supply and demand of housing in Britain?

(Mr Kahn.) One of the difficulties with relets is the immense number of variables with which one is dealing, because it is not simply the sale of council housing but the quality of the estate, the proposals, for example, on the control of the tenancy passing to sons and daughters and close relatives. All of these variables link together. I would not say that we have any data to present to you that would be helpful on that specific question.

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[Continued]

Mr Scott

668. Are there any areas where you think that demand for council housing is sufficiently weak that there will be no negative effect on prospects?

(Mr Kahn.) We are not, as a society, opposed to sale in all areas of council housing. What we think our research has shown is that there is a very strong case for local autonomy in individual councils deciding on the basis of patterns of housing need whether houses should be sold and we have been supporting the tabling of an amendment to the present Housing Bill suggesting a new clause that the right to buy should not arise in areas designated as housing stress areas where a significant number of households are registered on the housing waiting list, such areas to be determined by the Secretary of State on the basis of evidence submitted by the local authority on the housing conditions in the whole or selected sections of the said local Authority. While this would still leave the Secretary of State with a considerable power, it would create a position in which the wishes of individual councils could be respected and this should apply not only to the inner city areas but in our view to the rural areas.

Mr Winnick

669. When you say you are not opposed to sales in principle, say, as in Leeds because this is where you have taken your evidence, if a local authority is selling to sitting tenants but at the same time has a healthy building programme, would you adopt the same attitude of opposition in those areas where clearly there is a housing demand?

(Mr Kahn.) No, I think by local autonomy one has gone a long way towards trying to create viable public policy. One of the difficulties is that this selling is coming at a time of major public expenditure cuts. The result is that the discussion on relets becomes that much more important because further building is not occurring.

Mr Johnson-Smith

670. I do not quite understand that because the effect of relets, whatever council house sales may have as an effect, I thought it was suggested would not show up in any significant way for some years to come. Therefore, whatever may be the short-term effect on housing, because of public expenditure cuts during the next few years, this does not have any bearing upon that because sales of council houses are not

likely to have this effect, as I think has been said earlier today.

(Mr Kahn.) I take the point that the effect on relets also has a much more long term aspect.

Mr Miscampbell

671. Leeds, in their evidence, told us that throughout the period in which they had been selling, there had been a considerable continuance of building of council flats. If the monies that arose out of the sales were devoted — and we know that they do not necessarily need to be — but if they were devoted to building new council houses, would that make a great deal of difference to your views as to the relet position, bearing in mind that there is a great discrepancy between the evidence that we have had as to how many houses you have to sell? It has varied from one view of four or so will provide one new house, to as many as thirteen.

(Mr Kahn.) The difficulty in looking at council house sales in a purely financial context is that the interpretations you make about inflation and the points at which there is a cross-over of disadvantage and benefit to an individual local authority varies immensely in different parts of the country, depending upon when the individual council houses were built. Initially, the central point is when the council houses were built, because this will determine basically what the individual council's position is, but moving to your question, I would have thought in terms of the amount of council house sales that are going on, they are still too small to make a significant impact, particularly when one considers the different ways in which an individual local authority is dealing with the Housing Revenue Account. For example, in Leeds, they have a policy of not using rates to support their Housing Revenue Account so in Leeds the answer would be no, because they are trying to balance their finances in such a way that there is minimum cost to the individual Leeds ratepayer.

672. The other, perhaps more major matter is this: that there is an argument that local authorities continue to operate very restrictive access in the allocation of their transfer policies and that a growing public sector does not actually necessarily mean that there is more flexibility or more access to wide sections of the population. What do you say about that?

(Mr Friend.) To the extent that sales



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exacerbate problems within the public sector or the extent that we believe they will, this is one more pressure which militates against the widening of access to the public sector. To take an example, say, on the question of access for single people in recent years, since the Housing Policy Review a number of councils did operate a more open policy.

673. Islington did but did others? Do you know of others?

(Mr Friend.) Wandsworth did. We could submit a list. To take the example of Islington, it is now cutting that scheme simply because of the public expenditure reductions on housing and the multitude of pressures which are calling on their resources. In the context of a radical reduction in new building and expenditure on other items, it is easy to see the way in which local authorities will resist arguments for greater mobility and access. One can see the effect of sales on mobility if we look at the GLC area where in terms of mobility between the inner and outer areas, where a policy of leaving up to 80 per cent of dwellings becoming empty for sale rather than using them for tenants has led to a very sharp fall from I believe 7,800 in 1976 to 4,402 in 1978, which are the first two years of their sales policy, the effect of sales on mobility in that way is very strong. Also I think there is the question of how much local authorities will be prepared to institute the new mobility scheme proposed by the Minister for Housing and Construction recently, given its voluntary nature. We have an example in the inter-borough nomination scheme operating in London, where the shortfall in terms of targets for mobility between areas has been very great indeed, and has led not to a greater effort to meet those targets but to the targets being cut in the last year, and a number of authorities have already announced their intention to ignore the new voluntary system.

Mr Winnick

674. Say the sales policy succeeds to a very large extent because it is the Government's intention to use an advertising agency from the summer onwards and there is not, because of the White Paper on Public Expenditure, much in the way of building — in other words, there will be quite a diminishing effect on the public rented sector. What effect will all this have on an organisation like yours?

(Mr Kahn.) I think it will have a very

serious effect because many of our local groups do not have the word "Catholic" in front of their titles. We work quite extensively with the local groups of our society, including one in Leeds and our experience is that our case load has increased by probably one-third because we do not have any immediate solutions but in the longer term I think, in this society now, there is a type of housing drift. By housing drift I tend to think of it in the same way as you think of the continents being originally one and geologically they were split apart and they drifted apart and what is happening to us in housing policy is that we have various continents of housing tenure in this society: we have the owner occupiers as one continent; we have the council house tenants as another; we have a very small island of private rented sector tenants. To us as a housing aid society, what is happening is that these large groups of tenures are drifting apart so that a type of social division is being accentuated within the society in which the owner occupiers have more and more wealth and better and better housing conditions and that is why, although we are very concerned about the general policy of selling council housing, we are even more concerned about the failure to invest adequately in the public sector stock.

Mr Scott

675. You could turn your argument on its head and say that by selling council houses first of all you are breaking down the geographic basis upon which that distinction is all to often presently based in that you have chunks of land wholly owned in the public sector and other estates in private hands so you are mixing the thing up in that case and you are giving the public sector a chance to acquire wealth and an entry to trade up and become more mobile in terms of the tenure and ownership of homes.

(Mr Kahn.) I think that would be true for a few selected individuals who are living in the best council house properties.

(Mr Clark.) That will be true in the rural areas because it is the villages with a smaller stock of housing where house prices are higher. In East Hampshire, for example, the average house price is now £55,000 in the private sector, while the stock of public housing is very small, 11 per cent in public ownership and 22 per cent in the whole county and that is where sales have been greater. People feel the only way they can become an owner is to buy their own house

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[Continued]

[Mr Scott Contd.]

but by doing that they are making those houses wholly the estate of those who are well off because those houses, even with the restrictions that are in the Bill, are likely to find their way into the private market when they are sold.

676. Could you comment on the amendments to the Bill that have gone through and how much that will reduce the problems?

(Mr Clark.) I think it will help the rural councils recognise that there are problems. The changes the Minister put into clause 18 could operate if there were more money in the Housing Investment Programmes for rural areas but with a cut of 53 per cent in the HIP allocations, remembering that rural areas already had less than half the national allocation, there is far too little money and we recognise many district councils are not going to have the money to buy back so the Bill will not operate because there will be no commitment. There will be no money for buying back and there are no guidelines at this stage from the Minister for what a rural area is. The Minister can designate a rural area but there is no sign that by the end of August there will be any designations. I think there will be a reluctance to use the pre-emption powers, not only for capital reasons but because if you have sold a house at a discount why should you have to pay extra money to buy it back? There will be a change between a valuation of one house being sold on an estate predominantly council to a situation where the majority of houses will be sold and therefore the valuation will be in a private market and the council will not be willing politically to buy back a house which they have sold at a discounted price.

Mr Johnson-Smith

677. On the question of rural areas, I represent a constituency which still has some very pretty rural areas in it, and I recognise that there is a problem here. It would be difficult, I suppose, in some instances to try and designate what is a rural area in Britain. You cannot use the yardstick of an area of outstanding natural beauty, as I think this is being rejected now. Would you accept that, providing the provision is written into the Bill that rural areas should not automatically have to sell, would you accept a Bill which did not actually set out in some descriptive way what a rural area was, together with representations from a council which may wish to, on that

ground plus others, argue that it should not be forced to allow tenants to buy? Is there not merit in leaving it vague?

(Mr Clark.) The Bill is not giving councils any power to stop sales; it is simply a power to control resale which is the area of agreement. If we could be assured that resources would be available in order to make a buy back clause operational, that would be acceptable and if we could be sure the Minister would designate rural areas, but there has been no criteria and no discussion at all between local authority organisations and DOE officials. Given the different procedures of local authorities, I cannot see how the local authority would go through the right criteria to discover where the green belt villages are or where the commuter villages are or whether those are the kind of villages where restrictions can take place. I cannot see how we can actually get those areas designated by 1 September.

Mr Dobson

678. Can I lurch from rural areas to Inner London again? It has been suggested to us by the Wandsworth Council that sales of council houses would assist in attracting into Inner London skilled manual workers presently kept out because they cannot get council housing in the area if they want to move to London for a job. Have you any evidence that would bear out or contradict Wandsworth's view?

(Mr Friend.) No, we have not got any evidence which would bear out or contradict it, but to the extent that the argument seems to hinge on a supposedly beneficial impact on the local economy I would have thought it extremely doubtful. It may have an effect in a small number of cases but in terms of its spin-off effect, in terms of attracting new investment for example into manufacturing industry, it is likely to be negligible from the evidence from the sixties and seventies when the rate of decline in manufacturing industry was greatest; it is quite clear that it was not the pursuit of reserves of skilled manual labour which led companies to decamp, but quite the reverse. It was the seeking out of reserves of relatively unskilled often female manual labour for the location of new manufacturing investment. It is difficult to find evidence that a shortage of skilled manual workers is an enormous constraint on economic activity in Inner London.

679. Have you any figures on the relationship between skilled manual workers

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Mr A WINKLEY,  
Mr R KAHN, Mr A FRIEND and Mr D CLARK

[Continued]

[Mr Dobson Contd.]

pay and the level of house prices in Inner London, or could you provide us with a paper on that?

(Mr Friend.) We can certainly provide you with evidence on this point.

Mr Sever

680. In so far as the work of the Society itself is concerned, and I accept the original statement you made, presumably the Society is not bombarded by professional, highly trained and highly skilled manual workers seeking accommodation in the inner city areas, coming to you for advice on that? Presumably that is true?

(Mr Kahn.) That is right. The majority of our clientele are one-parent families, people experiencing marriage breakdown, single people on the move. We are experiencing some movement particularly into London of people who have found jobs in London. They are not skilled workers.

Mr Winnick

681. Your evidence refers to the possibility of mortgage defaulting. Do you really think there is a serious problem of council tenants encouraged to buy because of a discount who really cannot afford to do so but nevertheless have been tempted into buying what they believe is a useful asset?

(Mr Kahn.) I think there is some danger in that. We followed up the numbers in Birmingham for you in that context. The level of mortgage default there is fairly low. On the 18,500 flats that have been sold the Birmingham Council has only repossessed 200 houses. Those are not repossessed all for mortgage default. They have been repossessed for a large number of other reasons. That is a figure then of only 1.1 per cent of all the houses that have been sold actually being repossessed, but I think you will find that that is, say, a much larger figure than for a building society mortgage on the first four to five years of mortgage which is the comparable figure. If you wanted to go to Birmingham or Leeds perhaps they would be the appropriate groups to ask. Our concern is with two points: one with people that will become unemployed through no fault of their own after they have purchased a council house and the position they will then be placed in, and the difficulties that could arise in certain contracts with certain district valuations if many people do not purchase there; this seemed to be the question, if people want to move after the pre-emption period has operated after valuation has been given. It

is the first point in relation to terms of employment as to the council tenant which is the more important.

682. Rising rents will be undoubtedly a factor in tenants' minds of whether they are going to buy or not; even with the substantial discounts in many cases, the majority of cases, the people who will be buying will be paying surely over double what they are now paying in rent?

(Mr Friend.) For some time, yes. There may also be difficulties in relation to this point over the rights for joint purchase, in that, where this occurs, there is an increased risk of unemployment affecting the original ability to pay.

Mr Sever

683. Do you think the risk of mortgage default will increase now — I am going to Birmingham about which I know a little — bearing in mind the vast majority of sales that must be included in the figures took place some years ago when Birmingham's unemployment level was far lower than it is today? At the time the majority of those sales took place I think you will find Birmingham's unemployment level was far below the national average whereas now it is about spot on with the national average, so we can, from that point of view, expect a greater degree of mortgage default?

(Mr Kahn.) I would have thought so.

(Mr Miscalampbell.) That may be true if money had remained stable, but on the basis of anybody who managed to get a mortgage five years ago is now paying back in ten bobs what they borrowed in pounds, once they get over the first four or five years default is much less likely.

Mr Scott

684. First of all you describe, Mr Kahn, the clientele of the Society, the people who come to you for help. If one contrasts their circumstances with the overwhelming evidence that the sort of property that is likely to be sold is the three-bedroomed sort of house with a garden, those people would not really be in the market for that sort of property in general, would they? Evidence about Inner London on the sixties and seventies is not really relevant to today because then the whole burden of policy was to get jobs out of London to give us elbow room. Now I think people are realising it has gone too far and there really is now concern to get manufacturing and other industry back into Inner London and give it some life.

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[Continued]

[Mr Scott Contd.]

Certainly we heard from Wandsworth in their evidence that there was a particular problem because of the lack of choice of housing in Inner London and that if you could get a band of owner occupation coming out of the public sector therefore the lower band price level would help industry in Inner London. You have no direct evidence one way or the other on that?

(Mr Friend.) We would like the opportunity to present written evidence on that point if it is possible.\* The other point the first question relates to is not all council house sales are of three-bedroom properties. Many people who come to our Society I think it is fair to say are not all single parents with one child; there are also large families and the evidence is quite clear, say, on transfers from tower blocks as an example. The sale policy in Wandsworth led to the programme of transferring people from tower blocks being radically reduced, I think I am right in saying. The crucial point is that if the units are sold they are no longer available for transfer within the stock of council houses and it will affect all classes of people who remain within the public sector on that basis.

(Mr Winkley.) I think the important thing is really that many of our clients have needs which will be fulfilled by the kind of accommodation that is being sold but they cannot reach it.

(Mr Scott.) I suppose one has to make the general point. It may be naive but in fact people's housing hopes will only be realised by more houses overall in whichever sector they are, or better utilisation of the housing stock we have, and in a sense a lot of the discussion we have been having

is isolated on public sector in a way that one should not do if one is looking at overall housing supply and demand.

(Mr Johnson-Smith.) And the bad state of the private rented sector and its gradual contraction over the years as a consequence of legislation.

Chairman

685. Could I in conclusion ask you one question? Presumably, Mr Clark, in your written evidence you told us a greater proportion of the stock is being sold in the smaller villages where owner occupation already predominates. To what extent do you think it is a reasonable inference from your inquiries to say that the lower the proportion of local authority houses in any given area the higher the proportion of them is likely to be sold?

(Mr Clark.) I think it is generally the case that if something is in short supply and the allocation process has meant that people who are better off at a point in life when they are able, because their children have grown up, to afford to purchase it. They will recognise the scarcity of it — in this case it is good quality housing — and they are more likely to buy it. That will also apply to a suburban area. There is no lack of housing in suburban areas though. One cannot compare the situation between the rural and city locations.

(Mr Friend.) Certainly I think there is a very strong tendency for a greater proportion of the stock to be sold in areas where owner occupation is already a greater proportion of the total housing stock.

(Chairman.) We are all very grateful to you for coming. Thank you very much indeed.

\* See Appendix III, Page 211.

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[Continued

THURSDAY 15 MAY 1980

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Members present:

Mr B Douglas-Mann, in the Chair

Mr F Dobson  
Mr G Johnson-Smith  
Mr N MiscampbellMr N Scott  
Mr J Sever  
Mr D Winnick

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Sale of Council Houses

18 February 1980.

The Environment Committee, of which I am Chairman, was set up by Order of the House of Commons on 25 June 1979, as a Select Committee to examine the expenditure, administration and policy of the Department of the Environment and its associated bodies. We are currently looking into the issue of the rented housing sector and will first take evidence on the financial and social implications of the sale of council houses. I am writing to invite your written evidence about the likely effects of the sale of council houses. I realise that the preparation of evidence of this kind is a troublesome task, but I hope that you will feel able to undertake it. In particular we are interested in evidence from you on six questions in the enclosed questionnaire.

Although I realise that the time available for preparing your replies is short, it is very important that the Committee should complete its enquiries quickly, and we hope that you will be able to reply by 17 March.

When we have considered the written evidence we shall invite a number of local authorities and other organisations to give oral evidence to the Committee. If you would be willing to give oral evidence I would be grateful if you could indicate this when replying.

Evidence should be sent to:—

The Clerk to the Environment Committee

*B Douglas-Mann.*

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[Continued]

*Questionnaire*

We should be particularly interested in your views and evidence on the likely effect of a sharply increased council house sale programme, including the 33 per cent to 50 per cent discounts envisaged in the Housing Bill, upon the supply of, and demand for, owner-occupied housing and your markets. For the sake of speed and ease of reply, we shall be pleased to receive your comments in whatever form and framework is most convenient and suitable for you to compile. However as a guideline to the direction of our analysis, some relevant questions for consideration are given below.

- (i) On a national level, are the projections made in the Housing Policy Review Green Paper in 1977 of annual private new housing demand in Great Britain at around 190,000 dwellings still valid?
- (ii) How likely is the private housebuilding industry to raise its output from the present annual average of around 135,000 towards this higher level in the Green Paper projection?
- (iii) Would a marked rise in the annual council house sales contribute towards bridging the gap in meeting owner-occupied demand? Or would it be largely irrelevant to the rest of the private housing market?
- (iv) To what extent do you regard first-purchasers from the public-rented sector as an important source of customers? To what extent would the proposals for council tenants' right to buy at 33 per cent–50 per cent discount (and with a two-year price freeze for those buying a £100 option) affect your first-purchaser market? What would be the difference between short-term and the longer-term effects? Is there likely to be any element of subsidised competition or do you operate in such different housing types that the council house sale discount, etc is irrelevant?
- (v) What effect do you expect on your markets from future resales of former local authorities dwellings?
- (vi) Do you have any concern about the effects on your sales of new dwellings resulting from changes in the cost and availability of mortgage finance due to increased council house sales?

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[Continued]

**THE HOUSE-BUILDERS' FEDERATION — SALE OF COUNCIL HOUSES****A Paper to the House of Commons Environment Committee***Question 1*

- 1.1. The demand/need for new housing projected in the 1977 Housing Policy Review Green Paper was of the order of some 300/320,000 by 1981 and 315/335,000 by 1986. This was then divided into demand for public sector and private sector, in a ratio of 125,000:170/190,000 for 1981 and 115/125,000:195/215,000 for 1986.
- 1.2. The validity of the assumption that there will be a demand/need for 190,000 private sector units in the early 1980s cannot be divorced from the calculation of total housing demand/need and any comments on its validity will reflect two central questions. The first concerns the accuracy of the analysis of those demographic factors that will result in the number of households requiring housing at any given time. The second concerns the accuracy of the assumptions made about the split between public and private sector demand.
- 1.3. Regarding the total calculation of demand/need, we believe, without claiming particular expertise in this field, that the analysis contained in Chapter Three of Technical Volume I of the Policy Review Green Paper is methodologically sound, that it clearly indicates its key assumptions, and that all subsequent independent comment of which we are aware has concluded that within the broad assumption structures adopted in the analysis, it is soundly conceived. Given that households to be formed by a population already born provide the basis of the analysis, the major variable in demographic analysis, birth rate, is excluded from the analysis of housing requirements. The important variables are numbers of marriages within that population, assumptions about migration and how many of the single-person units projected actually materialise and require accommodation.
- 1.4. In our view this analysis is as accurate as is likely to be achieved by the forecasting techniques currently available, however, because of its potential importance, we strongly urge that having produced the initial forecast, Government should continue to monitor, update and publish further information on housing requirements as a central tool of its housing policy. It seems incredible that an issue so politically sensitive should for so long have been a subject of election promises and Government targets or more recently, of no targets, most of which have never been founded on any analysis of requirements particularly when the techniques to carry out the assessment are available.
- 1.5. Although this is not central to the Enquiry by the Environment Committee, HBF considers that it is of the utmost importance to the development of housing policy that the Government of the day should produce and update projections of housing requirement and then develop its policies in relation to this requirement. Being principally interested in private sector demand, HBF is gravely concerned that the status of the Green Paper projections is unclear and more particularly that it does not appear to be the policy of the Government to ensure that the preconditions are created for the satisfaction of the requirement that is revealed by that projection.
- 1.6. The most important consequence of this is that in the absence of some agreed projection of total requirement, planning authorities and statutory undertakers are unable to plan adequately for requirements. Most importantly, in the aggregate, structure plans are under-providing for housing on an annual average basis by over 30 per cent, if the 1977 Green Paper projections are valid and by about 20 per cent on historic rates (see Appendix 1). As a consequence of this under-provision, land allocation policy is tailored to housing policy, and given the long lead-times in bringing land forward, it will be three to four years hence before this shortfall can be rectified, even if it were accepted immediately that all county planning authorities be required to programme the release of 30 per cent more land.

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- 1.7. In reality, such a policy would not help, because the greatest shortages are in areas of highest demand, and are probably of far greater than 30 per cent. Nevertheless, acceptance by the Government of some global housing requirements calculated by the same means as the 1977 Green Paper and the adoption of policies for its implementation by planning authorities and statutory undertakers is of critical importance as we move into a decade in which, whatever the exact numbers required, new housing requirement will be greater than in the 1970s, whilst all current planning policies are founded on the intention that fewer houses will be built than at any time since the war.
- 1.8. As to the second point raised in para. 1.2, the accuracy of the split between public and private sector, in the Green Paper, this will depend to a substantial extent on the policies implemented by the Government of the day and by individual planning authorities in the aggregate. This to some extent pre-empts the second question posed by the Committee, regarding the likelihood of the private sector increasing its output. Before considering that question, it is worth recalling that so far as aspirations are concerned, an independent survey commissioned by NEDO in 1977 found that 80 per cent of all households wished to buy their own house and that 85 per cent of households in the 25-45 years age group wished to do so. Therefore, it could be argued that if the Green Paper total projected requirement is accurate, then, *ceteris paribus*, the private sector new housing demand is of the order of 230/240,000 units per annum.
- 1.9. However, clearly, all other things are not equal and some of the constraints on that figure will be considered in relation to Question 2. Nevertheless, before addressing that question, the final point that should be made regarding the split between public and private sector is that the Green Paper foresaw a change in that relationship and a decline in the public sector share. However, the rate of decline was then foreseen within the policy framework of the then (Labour) Government. The level of public sector new build regarded at that time as desirable/acceptable is no longer desired/accepted by this Government and the latest round of public sector cuts have resulted in circumstances where the public sector new build is unlikely to exceed 40,000 units per annum. If, therefore, the Green Paper figures of 300,000 total requirement are valid, and this number of households actually does require housing, then it is a matter of some concern that measures are implemented as a matter of urgency to create the pre-conditions to enable the private sector to build 230/250,000 units of the right mix and in the right place to help meet that requirement, unless all the gains in overcoming housing shortage that have been in the 1960s and 1970s are to be lost during the 1980s.

### Question 2

- 2.1. The ability to, or the likelihood of, the private housebuilding industry raising its output to levels above those currently achieved and closer to the Green Paper figures, will depend upon three main factors:
- (1) the continued growth in the economy and in real earnings, to enable would-be house purchasers, particularly the smaller family units that will form the bulk of new households in the 1980s, to afford to buy houses;
  - (2) the availability of mortgage finance to meet whatever level of new house purchase may result from the potential to buy arising from (1) above; and
  - (3) the availability of adequate supplies of land to meet an annual level of output of between 190,000 and 230,000 per annum as compared with the current 135,000 houses which is the current annual average.
- 2.2. We cannot comment authoritatively on the first of these points, but we can note with concern the economic projections indicating that growth in real earnings is unlikely over the next two to three years.
- 2.3. The recently published Stow Report clearly indicates the preconditions for the provision by building societies of adequate funds to meet the real demand for



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mortgages. The most important of these is a competitive interest rate structure, which is not currently enjoyed by the societies. The likelihood of building societies moving towards such a rate in the short term depends almost entirely on a reduction in MLR. In the longer term, the maintenance of a competitive rate structure will depend upon Governments ceasing to interfere in this market and allowing societies to exercise their commercial judgement as to the rate structure required to raise the amount of money required for lending.

- 2.4. Assuming both of the previous factors moved favourably in the short term, it is most unlikely that current land supply would enable house-builders to increase their output: indeed, as we have already pointed out, existing Structure Plan policies are designed to produce a reduction in output in many key markets. In the long term, the failure of the policies of successive Governments to create a framework for the planned release of land for house-building will increase these pressures and land supply remains the most likely reason for private house-building output failing to achieve levels suggested by calculations of requirement or by effective demand, provided the economy and mortgage supply translate this requirement into effective demand.
- 2.5. There is one further point that should be made, assuming that increases in real earnings, mortgage availability and land supply all quickly become more favourable to the growth of output in the private sector, and this is the rate at which it would be prudent for the existing industry to expand its production. The last major expansion in private house-building output in the early 1970s was achieved, in part, by a large number of firms entering the industry or by smaller firms, unused to large-scale house-building, expanding their output rapidly. The effect on the supply of skilled labour and on materials manufacturers was profound, both in the boom and in the subsequent slump.
- 2.6. That slump also resulted in major bankruptcies in the house-building industry and the period since then has been one of recovery and consolidation. The firms comprising the industry currently are generally sounder financially, more prudently managed than many of the firms operating before the slump and the industry may be described as being leaner and fitter than it then was.
- 2.7. These firms do not, on the whole, wish to see a repeat of 1972/73 and it is unlikely, but not impossible, that many new firms will enter the industry. Therefore to avoid over-reaching themselves financially and to avoid overheating the labour and materials market, many house-builders feel that even under the most favourable conditions, output should be gradually expanded by some 10,000/15,000 units per annum, reaching 190,000/200,000 units over about three years.

### Question 3

- 3.1. We consider that a marked increase in council house sales would have a very marginal effect on meeting the demand for owner-occupation *for which private house-builders currently cater*. To that extent the policy of sales is likely to bring into owner-occupation groups who would otherwise not have become owner-occupiers, certainly not via the route of new-house purchase. This might, over time have some slight effect on sales of lower priced houses, but the extent of this effect will depend on whether, on resale, council house prices remain at levels below the remainder of the market. It should also be clearly understood and remembered that the sale of council houses does nothing, whatever its other merits, to meet the total demand/need for new houses. Changing the tenure of existing houses does not add to the number of houses available, and the most important requirement in the housing market in the 1980s will be to add a substantial number of houses to the existing stock.

### Question 4

- 4.1. In general, HBF members feel that existing council house tenants form so small a proportion of house-purchasers, that the sale of council houses is unlikely to affect

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[Continued]

the sales of most private house-holders. In certain areas and in relation to certain builders for whom the first-time purchaser form a substantial element of their sales, very slight reservations have been registered about the effect on sales, but even those few builders making the comment felt it was unquantifiable and did not express serious concern.

- 4.2. It was pointed out by several house-builders, however, that in the short term, the sale of council houses to sitting tenants might affect a limited number of sales and that a point might be reached when the combination of discounts and the ability of a tenant to freeze the sale price of a council house for two years, might represent a substantial element of unfair competition, should the supply of mortgage funds remain tight and should building societies seek to spread their available funds over more thinly over a larger number of houses. In those circumstances, supporting sales to low priced council houses might then appear attractive.
- 4.3. Nevertheless, the prevailing view of the house-builders is that regardless of the short-term effects, which will be limited and once-and-for-all, the sale of council houses will expand the level of owner occupation and over time will provide a larger market for house-builders to build for council house purchasers wishing to "trade-up" at some point in five to seven years' time.

#### *Question 5*

- 5.1. In general, following from 4.3 above, it is anticipated that future re-sales of council houses will expand the market for private house-builders. The caveat that was placed upon this was that the effect on the "trading up" market might be diminished if council houses should prove, in the event, to be unsaleable to second purchasers on the open market or saleable only at prices involving heavy discounts, thereby preventing the original purchaser from "trading up". There is insufficient evidence to suggest that this will happen on any scale but should it do so then the policy of council house sales will have created a sub-category of owner-occupiers who will not enjoy all the benefits that owner occupation normally bestows, including growth in equity and greater mobility. Should this trend develop however, it can only emphasise the benefits and advantages to all house-purchasers of buying new privately built houses.

#### *Question 6*

- 6.1. The most serious consequences for the private house-building industry in the short term of the current policy of council house sales will be on mortgage availability. Regardless of any advantages that the policy may bring to house-builders, in five years' time, from re-sales and from "trading up", the consequences of a successful implementation of the sales policy in the prevailing market, which is starved of mortgage funds, will be severe. These effects will only be mitigated if funds separate from normal building society mortgage funds are made available to finance sales, or if local authorities are willing to turn their existing Housing Revenue Account charge on any house that is to be sold, into a mortgage. By this means, the full social benefit that the Government wishes to achieve from their policy can be attained, without disrupting the entirely separate private housing market, a proportion of which is in new houses.
- 6.2. The price for the Government of achieving its council house sales policy by this "self financing" method would be that it will be unable, in the short term, to reduce public sector indebtedness and that it will be unable to claim that, in addition to whatever social benefits the extension of owner-occupation will confer, the policy is also profitable for local authorities. This however, is a price that it should be prepared to pay and unless the Government is, the result will be serious damage to private house-building and thus a reduction in the potential rate of expansion of owner-occupation. In an apt cliché, the Government will be robbing Peter to pay Paul if it tries to fund council house sales through building societies in the present market.

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[Continued]

- 6.3. The implication for building societies of funding council house sales are analysed in the Stow Report (Appendix 1, pages 49 and 50). This suggests that sales of 100,000 houses per annum might involve the societies in raising a further £600m per annum in 1979 terms. We have nothing to add to the estimate made there, other than that the societies are capable of funding the total market, including council house sales, provided their rate structure is allowed to be competitive over time. However in the short term, societies are attracting barely £200m per month net inflow, and the BSA estimates that they require at least £500m per month net inflow. The severity of even an extra £600m demand in the existing circumstances of shortage will therefore be considerable. HBF's concern is therefore that in the short term, and until the building societies net inflows of funds are sufficient to fund the market and until they have re-established a stable mortgage supply, as a matter of policy council house sales should only be funded by turning existing HRA debts into mortgages; as several major authorities, including the GLC, already do.

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### STRUCTURE PLANS

#### The Implication for National Housebuilding Rates

1. The House-Builders Federation has been worried for some period of time about the restrictive nature of many structure plans and has made representations to this effect at most of the Examinations in Public. Many of the submitted and approved structure plans envisage a substantial reduction in house-building levels and it is clear that the housing proposals in one plan do not necessarily take into account the policies in the adjacent counties. Quite clearly there is the need for some sort of co-ordination of these plans to assess both their regional and national implications. Unfortunately, there is no indication that such co-ordination exists with most structure plans apparently being assessed in isolation.
2. Originally, the House-Builders Federation considered that the effect of a number of contiguous restrictive structure plans, particularly in the South East, could detrimentally affect the housebuilding industry achieving regional housing requirements. Over time, however, it has become clear that, not only will structure plans have an adverse effect on the regional supply of dwellings, but also on the supply of new dwellings at national level. This paper proposes to estimate briefly the past rate of building, together with future estimates of national demand and compare this with the building rates anticipated for both approved and submitted structure plans (together with the latest information on draft plans where these still exist).
3. The Housing Policy Review Green Paper published in 1977 is the only balanced comprehensive assessment of the national demand for new dwellings which has been produced recently. This indicated that during the 1980s there would be a demand for new dwellings in the order of 305/325,000 per annum of which 180/200,000 would be in the private sector. The continued demand for new dwellings from a comparatively slow growing population arises from the rapid rate of household formation and the high level of home ownership aspirations.
4. Moving to more practical aspects, it is well known that the actual level of private dwelling completions has fallen far below the minimum of 180,000 per annum estimated in the Green Paper. The average number of annual completions over the last five years has been a mere 146,100; even allowing for a rise to 148,600 last year, the 1979 output of private dwellings is not expected to exceed 140,000. Even allowing for some slight optimism on the part of the Green Paper, it is generally acknowledged that the number of new housing completions is at an all time low.
5. The causes of this very low level of private housebuilding are manifold being partly connected with mortgage availability, recovery of business confidence after the crash in land prices in 1974, the general economic situation and the availability of suitable land. It is true that all these factors will continue to affect private housing output, particularly in the short term (next few months), but the one which is likely to have

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a fundamental effect over the medium term (next few years) is the vexed question of land supply. Without adequate supplies of land, housing completion rates will continue at low levels and, depending on the severity of the shortage, could actually decline.

6. The attached table on page 231, attempts to make a fair comparison between the average number of dwellings per annum (both public and private) completed in all the counties of England over the last five years (taken from the DoE Local Housing Statistics), and the number of dwellings allocated in the various structure plans for those counties, converted into an annual rate of build. A number of plans are difficult to convert directly into dwellings for a given period of time, because they rely on a contingent approach with further unspecified additions being made to the land allocations later in the structure plan period, eg East Sussex and Kent. It should be noted that some of the structure plan building rates are based on known allocations of land, whereas others are based on the calculated dwelling provision with actual land allocations being made at some later date. Where the structure plan specifies a range of dwellings, the table reflects the maximum of that range. Similarly the calculations take into account the most recent approval and modifications proposed by the Secretary of State.
7. The table shows that out of a total of 46 counties, 37 reckon to reduce housebuilding levels during the next 15 years. In most cases the reduction is expected to be gradual but the land release policies are based on an average rate of build which is substantially below current levels. The proposed reduction varies quite greatly with no apparent pattern. For example completion rates in Hampshire, which contains two growth areas, are expected to fall by 40 per cent whereas, in Hertfordshire, a "restraint" county, the fall will be only 21 per cent.
8. It is fair to point out that there are 6 counties whose structure plans envisage building rates which are higher than present. Nevertheless, it is noticeable that these often relate to inner city areas, eg Manchester and Merseyside, which are anxious to prevent further population decline but where demand for new dwellings may be insufficient to meet the structure plan rate of build. This latter point also holds true for the expected building rates in many of the new towns, although this is not apparent from the table. For example, it is proposed that over half the expected rate of build of new dwellings in Shropshire will be concentrated in a single town, ie Telford; the same is true of Buckinghamshire where 64 per cent of all new dwellings will be in Milton Keynes.
9. One final point must be noted, viz the table only represents the total number of new buildings expected to be built averaged out over the whole of the structure plan period. It does not indicate whether there is sufficient land available for the proposed number of new dwellings; it is extremely likely that if a Manchester-type survey was carried out in all these counties, the *actual* rate of build, taking into account both physical and marketing constraints on the allocated land, would be even lower than the proposed rate of build. An example of this is the South East Dorset Plan where 35,000 dwellings are expected to be built by 1996, but land has only been allocated for 25,000 units; the remaining 10,000 units, ie nearly 30 per cent, will be on "unidentified" sites.
10. No further comment seems necessary, as the figures speak for themselves. The vast majority of structure plans are planning for a deliberate reduction in housebuilding levels which is bound to have a detrimental effect on national completion rates. The rate of reduction will vary, depending on the current level of outstanding commitments and the rate at which it is used up. However, it seems very likely that the policies will start to "bite" soon in practically all areas. If 140,000 completions per annum seems low, the prospect for the future in the light of structure plan policies is grim indeed.

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## Comparison of Current Completion Rates with Expected Rates from Structure Plans

Region	Housing Completions — Public and Private					5 Year Average 1974-78	Str Plan Av Rate of Build pa	% Change
	1974	1975	1976	1977	1978			
<b>South East</b>								
Bedfordshire	2,851	3,674	3,465	3,683	3,615	3,497	2,540	-27
Berkshire	3,294	3,952	4,332	4,886	4,703	4,237	4,506	+ 6
Buckinghamshire	5,080	5,414	5,654	6,317	4,878	5,460	4,890	-11
East Sussex	2,973	3,595	3,206	3,241	2,992	3,201	1,900	-41
Essex	6,714	9,627	9,063	9,820	8,557	9,156	5,666	-40
Hampshire	9,016	9,765	9,456	9,642	8,404	9,256	7,226	-21
Hertfordshire	3,517	4,396	5,432	5,541	5,221	4,821	3,800	-21
Isle of Wight	733	788	777	676	772	749	408 <sup>1</sup>	-45
Kent	5,454	9,058	8,085	7,916	6,842	7,471	(4,200) <sup>1</sup>	N.A.
Oxfordshire	2,713	3,488	3,018	3,080	3,061	3,072	3,500	+13
Surrey	3,474	3,919	4,391	5,718	4,988	4,498	3,373	-25
West Sussex	3,617	4,278	4,542	5,161	5,090	4,537	4,000	-12
Greater London	26,641	30,191	31,578	30,772	26,438	29,524	(25,000) <sup>1</sup>	N.A.
<b>South West</b>								
Avon	3,600	3,811	4,585	5,065	4,419	4,296	3,420	-21
Cornwall	2,830	2,677	2,770	2,587	2,345	2,641	2,100	-21
Devon	4,693	5,698	4,608	5,636	5,468	5,220	4,733	- 9
Dorset	3,424	4,163	4,152	4,485	3,656	3,976	(2,500) <sup>1</sup>	N.A.
Gloucestershire	2,719	3,245	3,368	2,975	3,066	3,078	1,900	-38
Somerset	2,309	2,990	3,033	2,947	2,772	2,810	1,733	-38
Wiltshire	2,773	3,565	3,101	2,689	2,627	2,391	2,560	-14
<b>West Midlands</b>								
West Midlands	9,022	10,534	13,074	10,488	10,320	10,687	9,000	-16
Hertford/Worce	3,694	4,370	5,358	4,909	4,157	4,497	4,233	- 6
Shropshire	2,615	2,268	3,118	3,086	2,261	2,670	2,626	- 9
Staffordshire	5,236	5,773	5,897	6,124	6,780	5,962	6,400	+ 7
Warwickshire	2,080	2,762	2,646	2,871	2,961	2,664	2,193	-18
<b>North West</b>								
Gr Manchester	12,894	13,922	13,526	12,797	10,236	12,675	13,437	+ 6
Merseyside	6,630	6,033	4,913	5,529	4,938	5,608	6,611	+18
Cheshire	3,739	6,506	4,246	5,556	5,972	5,604	4,400	-21
Lancashire	5,473	6,489	5,683	5,499	7,070	6,042	6,159	+ 2
<b>Northern</b>								
Tyne and Wear	5,936	5,984	8,348	5,981	5,201	6,290	2,800	-56
Cleveland	3,371	3,115	2,771	3,303	3,702	3,252	3,066	- 6
Cumbria	1,821	2,545	2,372	2,357	2,618	2,222	1,500	-32
Durham	3,241	3,695	3,617	2,953	2,642	3,269	1,560	-52
Northumberland	1,391	1,974	2,451	1,871	1,968	1,975	1,360	-31
<b>Yorks &amp; Humberide</b>								
South Yorks	5,463	6,406	7,000	6,660	6,456	6,397	6,300	- 2
West Yorks	8,113	8,682	8,484	7,568	9,125	8,394	8,307	- 1
Humberide	4,092	4,882	5,690	5,143	4,804	4,922	3,666	-25
North Yorks	3,323	4,277	4,487	3,887	3,743	3,943	2,696	-32
<b>East Midlands</b>								
Derbyshire	3,596	3,828	5,063	6,526	4,817	4,766	4,278	-10
Leicestershire	5,188	6,475	5,697	5,404	5,578	5,668	4,020	-29
Lancashire	4,069	4,003	4,235	3,485	4,093	3,977	3,360	-15
Nottingham	4,146	4,604	5,218	4,305	3,106	4,278	2,968	-31
Nottinghamshire	5,306	7,011	6,187	7,091	6,676	6,484	3,725	-42
<b>East Anglia</b>								
Cambridgeshire	4,885	5,577	5,075	5,823	5,054	5,282	4,146	-22
Norfolk	4,785	5,790	5,358	5,004	4,325	5,057	3,133	-38
Suffolk	3,409	4,569	4,254	3,773	2,973	3,796	3,291	-13
<b>England</b>	228,143	260,768	263,426	261,000	240,832	250,833	205,163	-18

Notes: 1. This is an estimate based on 765 acres of land over 15 years.

2. Further as yet unspecified allocations of land are likely to be made in the Ashford area after 1982. In order to make allowance for these allocations, an additional 5,500 dwellings have been added to the total for Kent, giving an overall average for the complete Structure Plan period of 4,200 per annum.

3. The approved Greater London Development Plan gives no indication of the total number of new dwellings and to this figure is a considered estimate, taking into account such factors as the reduction in public expenditure, the trend towards rehabilitation and the effect of the Docklands UDC towards the end of the 1980s.

4. No figures are available for the whole of the county; the subscripted total of 1,750 relates to South East Dorset only. The current completion rates in the remainder of the county, ie outside South East Dorset, average c1,200 pa, and although this is almost certain to be a generous allocation for a restraint area, a similar figure has been assumed for future completion rates, giving a total of 2,900 for the whole of the county.

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Mr J R HUMBER and Mr T BARON

[Continued]

## Examination of witnesses

Mr J R HUMBER, Director, and Mr T BARON, Member, of the House-Builders Federation, called in and examined.

Chairman

686. Good morning. Thank you very much for coming. We were very interested in the written evidence which you have submitted to us and there are a number of areas in that evidence which we wish to explore. Can I start by asking you about your anxieties concerning the supply of mortgage funds? We had evidence from the Building Societies Association last week and they told us that if 10 per cent of council house sales of say 250,000 a year were financed by building societies, this would amount to only about 3 per cent of their net lending. With figures like those, why do you feel anxiety about the impact on the costs and availability of mortgages from council house sales?

(Mr Humber.) I think in the first place we base our reactions to the potential impact on mortgage availability of council house sales on taking the Government's programme seriously. We assume that there could well be something of the order of 250,000 sales, certainly in the long run, certainly in the short term, and that the Government's programme of achieving 100,000 sales a year was likely to be achieved. We then looked at the evidence that was appended to the Stow Report which I think we have quoted in our evidence to you, where they did draw attention to various assumptions that they felt at that time that the Building Societies Association felt themselves at that time it would be prudent to make about the amount of equity the council house purchaser could put in, the size of the average mortgage and what they saw as being the requirement of new money coming, that it would be almost entirely new money, and given their assumption about the amount of equity being fairly small and based on 100,000 sales of council houses they foresaw a need at that time for something like £600 million per annum of new money which of course is quite a substantially higher proportion than 3 per cent of building society lending requirements. We took this line at the time. Obviously, as things have turned out, the sales programme has been rather less than that and therefore the actual impact has been less, but at a time when the net new inflows of funds into the building societies has been so low, running at £200 million a

month on average over the last quarter, we do have a very considerable degree of concern about any extra competition to funds within that market at this time, not because we are afraid of competition. In the long run we obviously accept that the building societies will probably fund a substantial part of this market but at a time when the market for the sale of existing owner occupied houses and new houses is under the sort of pressure it is, it did seem to be rather unfortunate that the Government should push this extra burden on the mortgage market when there was an alternative and this was the basis of our concern.

Mr Scott

687. You mention competition and some of your members have given us evidence that they are concerned about competition in the market place, not so much on mortgages but the sudden availability of houses at a subsidised level like this is going to damage their interests. Why is it that only some of your members have given evidence of that and others have taken a contrary view, and what is the view of your organisation?

(Mr Baron.) I think the members who said that are talking rubbish. I do not think there will be competition except in certain very limited areas, in areas where there is massive acceptance of this policy and very little owner occupied stock. Obviously a large number of the first purchaser sales come from the council house stock. This is particularly so in, say, Glasgow, where 14 per cent of the housing in Glasgow is owner occupied. There is virtually no second hand market, so house builders there undoubtedly have been tempting council house tenants. The same thing applies to some extent in the new towns where the bulk of housing stock is rented and if you are going to sell houses to people who are already living in those towns you are getting customers from that stock. If they can buy houses at a discount — it depends when they were built; there are some very good bargains — they would be idiots to buy a new house. They can reap the benefits of buying a council house and selling it five years later. We do expect a marginal reduction in our market in specific areas like the new towns where there is a massive imbalance. To give

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[Mr Scott Contd.]

you some idea of the effect of all this, last year 450,000 houses, new and second hand, were sold to first purchasers. Something like 45,000 to 50,000 bought new houses, roughly a seventh. Last year the best estimate we could get was that probably 30,000 people moved from council houses into owner occupation other than by buying their council house. If you apply the same ratio that a seventh of those bought new houses you are talking about probably 4,000 to 5,000 new houses that were bought by ex-council house tenants. Most of this occurred in new towns and areas of imbalance. It is not serious competition. Frankly the builders who have said it do not really understand the housing market they are operating in.

688. Will the two-year option make any substantial difference and would you have a view on what should happen about the two-year option?

(Mr Baron.) The answer is it will not make any significant impact on our production or our sales. I think it is rather a generous provision. Obviously the Government apparently think it is a desirable, generous provision. We think it is generosity piled on generosity.

Mr Winnick

689. As far as the production levels of building are concerned, do you think there is a possibility that 200,000 dwellings could be achieved again?

(Mr Baron.) Yes — not easily. It would take time. It will take time; it will take money; it will take land. The time will come. The money is difficult to find and the land is not there, so if you have to remove the constraints — I think mortgages will resolve themselves over the next year or two if the economy comes right and MLR comes down. I and the industry are not too worried about the mortgage situation in the long term although we have grave doubts whether societies alone will be able to produce enough money to fund the total housing market. We believe very strongly that they will not be able to do so. They will not be allowed market clearing rates. If they did they would price out a lot of the bottom end of the market. The institutional funds, the pension funds, insurance funds, will have to be tapped somehow. We ought to do something in the next year or two to create or organise or do something to get new institutions which will make mortgages available by taking funds from insurance

and pension companies and feeding them into the mortgage market. It will be necessary in our view if we are to get anywhere near 200,000 houses a year. The land situation is the key to our increasing our production. At the moment land prices are far too high because there is a shortage and builders are competing with each other for a limited supply of land and too much of their capital is invested in land banks. They need three to four year land banks because the planning system is so painfully slow. Because money is locked up in land banks we are finding it impossible out of retained earnings to increase our output without excessive borrowings, and excessive borrowings caused the disaster of 1974. An extra thousand houses per annum of production require £20 million of capital at today's prices. Another 50,000 houses a year would therefore require another thousand million. We cannot generate enough retained earnings even allowing for stock relief and additional borrowings to produce that money in the short term, in the two or three year term, and the only real solution is to reduce the amount of capital we have to invest in land banks in order to maintain production levels. We need an improvement in the planning system not only in the supply side of land but in the speed with which land is processed. It takes far too much time. Eighteen months to two years for a site for 100 houses from the time you buy it to the time you get your first house built is nonsense and it is the planning system that is the trouble.

690. You have explained why more could be done if certain constraints were removed but the general expectation is that house building, both in the public and private sectors, will reach an all-time low in the current year and there does not seem to be much hope that we will get anywhere near the levels of 1972/73 when it comes to house building.

(Mr Baron.) This year the private sector will be very lucky if it produces 100,000 houses for sale in the UK, probably 90,000 to 95,000 at best.

691. This is really crisis level, is it not?

(Mr Baron.) Yes, it is. It is 1974 levels and the reason is — we have the land to do it this year, we have the labour, we just have not got the money because it is taking seven to eight months from the time a customer says he wants to buy the house to the time he has got the money to pay for it. It

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[Mr Winnick Contd.]

is the money that is constraining our output this year.

Mr Johnson-Smith

692. Could you define for me what you mean by "land bank"? Is that land on which nothing has been built or do you include in that also land with property on it but in order to develop it you have to pull the property down?

(Mr Baron.) It is land we are going to build houses on, and in many instances it is green field sites; in other cases it is slum clearance sites or sites on which we own property. The bulk of it is open land. On existing land we have planning permission but are awaiting detailed approval. It is the detailed approval that takes the time. We need a three to four year stock in order to plan our output and ensure that we can keep our men employed. We cannot work with less than three years on the present system.

Mr Scott

693. Would you expect to see constraints on local government with their properties to release land and put it on the market?

(Mr Baron.) I think it is happening. There is a certain amount of land release by local authorities, who will not be able to build houses on all the land they have so they sell it. It depends which side of politics they are on. Some councils have an aversion to private enterprise housing and will not sell. Some councils are very concerned because they have land bought on slum clearances which is receiving a Government subsidy of 75 per cent of its annual costs. It costs them a lot of money to acquire the land, re-house the people, remove the non-conforming uses, and its value in housing terms is probably low, less than its cost, any loss on sale is borne by them because the subsidy ceases on sale. One of the constraints in the slum clearance sector is caused by the local authorities being faced with this loss of the Government subsidy when they sell it. It is a very serious cause of delay and difficulty to private sector building within the inner city areas.

694. I suppose the only way round that would be for Government to make a once and for all cover for the difference, would it, when the thing was sold?

(Mr Baron.) Yes. On the other hand if the Government do that it costs them as immediate loss on some land but the mere

fact that private enterprise housing is being built in the inner cities will gradually increase the market for houses in that area and increase the value of houses and pull up with it the value of land. If they can get this process of regenerating the inner cities going they will eventually get a price for their land which is nearer the cost of clearance.

695. And continuing the subsidy say for three or four years after the sale might be one way of bridging the gap?

(Mr Baron.) It might be. I think something has to be done with this subsidy system. They get 75 per cent of the cost if it is on the slum clearance account. As soon as they move it to the housing revenue account it drops to 60/65 per cent, and rather than sell it to me and make a definite loss they transfer it to the housing revenue account and reduce their loss.

Chairman

696. To what extent is forward planning an essential provision of the operation of the industry, the house building for the private sector? To what extent do you feel Government should be planning ahead to ascertain what the level of demand is going to be? We had the Secretary of State giving oral evidence to this Committee recently and he told us they had not tried to update the estimates in the 1977 Green Paper of demand for housing in the private sector because he did not think any such updating would put us in a position to take decisions about having policies different from those we have already. Do you feel such projections are valuable tools?

(Mr Baron.) It depends what the projections are for. I think some sort of national perception of the housing requirements is necessary in order that the planning system, or the planners, have a basis on which to plan. At the moment we have two sets of figures. There is the Green Paper projection which was based on certain levels of resources that perhaps no longer exist and certain standards of improvement of housing stock which are perhaps no longer relevant. On the other hand we have a Structure Plan assessment which, for example, in England is making provision for 205,000 houses a year based on individual local assessments, a lot of them done on totally different bases. As to the Housebuilders' Study, we think that the Structure Plan assessments of housing need, both public and private, are on the low side; we



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[Chairman Contd.]

think that the Green Paper projections are somewhat on the high side. We would not like to say exactly where between the two right the level should be, but certainly we think the Structure Plan level is too low and whatever the level is, given time, given removal of constraints, we can fill the gap.

697. Is there a departure there from your written evidence?

(Mr Baron.) Not really.

(Mr Humber.) No. I think what we are saying about the Green Paper in our written evidence is that at the time, and bearing in mind the sort of assumptions that were made, it was a valid approach methodologically. We obviously accept, however, that if you change any major assumption about, for example, the extent to which you can within the total resources available expect to see diminution in sharing, you must ask yourself if that would change the assumption about the total requirement. Broadly speaking the approach taken in the Green Paper, provided all the assumptions are fully spelled out, is realistic. It may be that in view of the broader economic context it may be necessary to scale down that 300,000 figure to something of the order of 250,000 to 260,000 total requirement. However, I think the crucial thing to bear in mind is that, irrespective of whether the figures are 220, 230, or 300 thousand, all the indications are that, without any doubt at all, there will be a higher total requirement for housing during the 1980s than there was during the 1970s. All the demographic trends regarding the formation of households indicate this. It is really a question of whether we do move towards satisfying those requirements and the rate at which we do so. That is really the crucial difference about the 205 to 300 thousand.

Mr Sever

698. I was very interested in the numbers game which Mr Baron introduced a moment ago. It is one which has exercised the minds of politicians. Certainly from my reading of historical events in this place there was a numbers game argument as to who could put up the greatest number of house build starts. I certainly have some sympathy with the desire to do that but, having said that, a realistic approach as to what the figure might be generally comes to us through structure plans. I have looked at the one for Birmingham which regrettably is a sick joke now, having regard to what the needs were assessed as three or

four years ago (they were under-assessed in my view) and what the likely projected build figure would be, which is far short of what the projection was. That gap gets wider. Assume that is so on a whole range of authority structure plans: are we in a situation now where we need a new structure plan which presumably would bring us to somewhere between the Green Paper figure and the old structure plan total figure? I see this in theory as being a very useful exercise to tell us where we are in the game, but in real terms it just has not worked. Would the Federation agree with that?

(Mr Baron.) I think they would agree the whole of the structure plan system is not a very satisfactory system. It started in the early 1970s. I think the first Act on it was in 1968. They have gone along making assessments of need and planning based on resources because that was one of the factors in the equation. The resources are no longer available nor likely to be, so every structure plan, whether approved yesterday or last year, is out of date. Basically if they are going to take another eight years to do the next lot of structure plans, as they took eight years to do this lot, they are out of date again when they have finished. So I think frankly the structure plan system is useless. I think the whole of the planning system wants relating a damned sight more to reality and to the market place rather than to esoteric calculations made by people with very little evidence on which to base their assumptions.

699. At one point you referred to the resources part of the structure plan. Is it true to say one of the resources, that is manpower, is still not bad in terms of the projections, and one could come up with the manpower if all the other things were put right?

(Mr Baron.) I think we can come up with the manpower. One of the great attractions of private enterprise is that if the profit is there it can meet the market. If we can sell houses and sell them rapidly and make a profit while we are doing it, we will meet whatever the market will take. That is one of the great virtues of private enterprise, provided we are allowed to do so. On the question of labour it is within our control and we will sort it out. Money to some extent is in our control and one way or another we will sort that out. Land is not in our control, it is in the control of somebody else and we will need help. Mortgages are

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[Continued]

[Mr Sever Contd.]

not in our control and we will need help. On the things we do not need help on we do not want help on. We do not want help on the labour, we can sort it out.

Mr Winnick

700. I do not think you are very enthusiastic about all the post-war planning legislation and the rest of it. You consider it an impediment?

(Mr Baron.) I think planning is necessary. If you ever go to any part of society that does not work with land-use plans you are looking at a disaster area. If you go to Houston, Dallas and those sorts of places which do not have planning you would not like to live there and neither would anybody else. I am not against planning. What I am for is realistic planning and I am afraid we have too much unrealistic planning based on whims, aspirations and illogical assumptions.

Mr Miscampbell

701. You have touched on a point I wanted to raise. One of the major constraints clearly facing you is land both as to shortage now and its high price and possibly even in prospect the very fact that there just will not be enough at any price. What would you like to see us do, bearing in mind that a planning structure is always going to be present in the country for the reasons you have just indicated a moment ago. One does not want the country to be burdened with controls if it can be avoided. What needs to be done?

(Mr Baron.) I think it is a question of realism. The trouble with the land situation is that there are some myths, and one of the myths is that we can get all the housing we want in the urban areas. We cannot — there is not a hope in hell. So we will have to build on green fields, there is no question about it. What we have to do is to pick the right green fields. The trouble is that everybody thinks if there is grass growing there it is green belt, everybody wants to live somewhere where nobody else lives. Clearly there is great selfishness coming in here because planning is based on parochial assessments, we have no strong central guidance from government — not this Government, but over the years not enough strong central guidance as to what the structure plans should provide. They have left everybody actually to go and make their own assessment so they hold up the narrow conservative, with a small "c", view that their ratepayers do not want anybody living

near them, and the shire counties are the worst of the lot.

Chairman

702. You told us in your evidence that you estimated public sector new build is unlikely to exceed 40,000 per annum. That was written before the White Paper. Has your assessment varied since then?

(Mr Baron.) It is someone else's assessment, not mine. The White Paper is providing money; as I understand, it is up to the local authorities how they spend it. If they spend it as incompetently as they have spent on new housing in the past they will not get many houses for the money. Camden built 98 houses in 6½ years at £90,000 odd apiece and when they were finished with vacant possession they were worth £38,000. That seems to me not to be the way to get value for money. I think too much council house building does not give value for money. One of the beauties of money control is that we may get better value for money. I think as a ratepayer it is about time we did.

(Mr Humber.) Obviously I entirely endorse what Mr Baron says. So far as the figure is concerned, the best available estimate one can make on the basis of the range of assumptions about building costs and so on which local authorities do have within the money resources available. A figure of the order of 30,000 to 50,000 might well be realistic now. I am just being less precise than this I think.

Mr Winnick

703. If that was the position it would be the lowest ever as far as council house building is concerned, certainly in the post-war period. As you are so pessimistic about private house building, looking at it from the social standpoint, surely that is all the more reason — am I wrong? — for retaining the rented sector?

(Mr Baron.) I think you have to retain a rented sector.

704. What sense would there be in reducing the publicly rented sector if house building is to be at such a low crisis level?

(Mr Baron.) I think it is only at a low crisis level in the short term. I think this year we will do 100,000, next year probably 125,000; if mortgages are right by then and land is not as constrained as it now is, we can go up by 15,000 or 20,000 a year quite steadily. I can see by 1984 we will probably

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{Continued}

[Mr Winnick Contd.]

get to 175,000 but to get there we need the mortgages sorted out and land available.

705. As far as demand is concerned, if it is a choice — and I put this to both of you, particularly perhaps to Mr Baron — between assisting someone who needs housing in the first place to get a mortgage for owner-occupation or assisting a council tenant who wants to buy, whom would you consider to be the most deserving of the two?

(Mr Humber.) I do not think one can approach it on that basis of who is deserving. I am not wishing to avoid the question, but can I come back to what I think was behind your previous question? When you are in a position of short resources and there is obviously an increasing requirement, clearly the question of the sale of council houses, as I think we said in this paper, is not really the central housing issue: the central housing issue is to build more houses.

706. Which you are not going to do.

(Mr Humber.) Which is not being done. Our concern is that the Government firstly has a clear idea of what requirement is to give itself the maximum number of options available. Given that at the moment the Government has chosen to put the principal emphasis on new build on the private sector, if it wants to make up that shortfall that is developing clearly the principal constraints on private sector building must be removed or diminished. I think that is a factual statement as we see it. The options the Government is choosing to exercise with regard to sale of council houses to achieve social policy is a separate issue from this but one that in our view does not affect, or have any real impact on, the gap that exists in the first place for more housing. The central question I think is that there needs to be more housing rather than spending so much time worrying about the redistribution of the tenure of existing stock.

707. On the basis that there is not going to be more but less housing taking into account what is likely to be built and the rest, surely we must deal with the circumstances as they are, not as perhaps we would wish them to be?

(Mr Baron.) Housing needs are flexible, you know. People can manage with restricted housing accommodation for short periods of time without too much distress

and, if the economic resources of the country are constrained, I would rather see hospital beds kept in being than extra council houses being built because I think people can make do a little in housing, they can share. They can when they first get married — as lots of us did after the last war — live with parents for a bit till they can manage to get one. People will remain in housing that is perfectly fit but environmentally deprived a little longer. One of the big problems of the council house sector if you go to somewhere like Glasgow is that there is a tremendously high vacancy rate yet it has the best physical housing stock in Europe as regards amenities and that sort of thing, but there is such ghastly environmental deprivation that the people do not want to live there in perfectly acceptable, from a structural and sanitary point of view, housing. A lot of the pressure for housing is coming from people who through voluntary obsolescence are no longer wanting to live in housing which is solid, up to standard, but environmentally deprived. With a rent policy that says you can move from an environmentally deprived flat to a three-bedroom house in the country for 50p a week extra, no wonder everybody wants to move. If you offer Rolls-Royces at Ford Escort prices everybody will want a Rolls-Royce.

Chairman

708. On the question of flexibility, we were told by one construction company that owner-occupied dwellings were the least flexible part of the housing stock, and as the proportion of owner-occupied dwellings rises this becomes an increasing problem.

(Mr Baron.) That is not supported by the evidence, Sir. The evidence is quite simply, that the vacancy rate or change-over rate in local authority rented stock is about 3 per cent and the change-over rate in owner occupied stock is round about 7–7½ per cent per annum. Last year there were 900,000 transactions in the owner-occupier sector of which 150,000 were new houses, so there were 750,000 transactions in the existing stock out of a total existing stock in the United Kingdom of 11 million, about 7 per cent. I think the comparable rate for local authority stock was 3 per cent.

Mr Johnson Smith

709. That is very interesting. It would appear from that obviously the inflexibility in this is not as great as this gentleman seemed to think. It was Sir John Laing, was

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[Continued]

[Mr Johnson-Smith Contd.]

it not? On the other hand, as Mr Baron has been very outspoken and pungent in his criticisms of the planning system in this country, would he not care to develop his thoughts a little further on flexibility in view of the considerable criticisms being made about the difficulties experienced by people who are in a chain trying to sell their house before they can buy one?

(Mr Baron.) That is not caused by planning, that is caused by mortgages.

710. You have made your criticisms in terms of planning, I would now like you to advance your views, if you would, as to how far we can make this system more flexible. I realise it has nothing to do with planning.

(Mr Baron.) As to the mortgage situation, I think we get mobility in the housing market when there are people coming in at the bottom and people are going out at the top into a new house or dying. There is a large chunk of mobility in the private rented sector which comes from deaths or last-time sellers, people who sell and do not buy another house because they have died off or something like that. People do not move if they have no confidence in the economy or if they think they are going to have a lot of hassle in selling their house. At the moment a lot of people are sitting tight saying "Oh, god, if I agree to buy a new one and sell mine I'll have six or seven months of worrying. Why should I bother? I'll wait till things get a little easier". The hassle factor is deterring a lot of movement in the existing stock at the moment. This hassle factor is due to the shortage of mortgages, it is as simple as that.

711. Does it not have anything to do with the fact that we have a different system here compared with Scotland, so far as the legal aspects are concerned? You can say you are willing to purchase subject to contract and that is really worth nothing.

(Mr Baron.) I operate in both Scotland and England. At the moment the housing market in Scotland is a damned sight worse than in England. It is taking just about as long to get completions through. It helps to get the commitment. You can have a contract that is hindering but if they have not got the money, there is no way they can complete it.

712. It does prevent gazumping, does it not?

(Mr Baron.) It does prevent gazumping, but gazumping was never the problem it is

made out to be. You get reverse gazumping now. You get the chap who has got a mortgage and agrees to buy who comes back a few months later and says "I can only have it if I can have £500 off". You have his mortgage, you are three months along the way, you take it. You get it both ways. The house builders were not the ones who did the gazumping, it was the individual selling his own house. You cannot stop somebody getting the best deal he can, he only sells it once.

Chairman

713. You have placed a lot of stress on mortgages. If we moved towards the more competitive rates the Stow Report was talking about what effect would that have on the availability of the demand for houses?

(Mr Baron.) Surprisingly enough, the interest rate of 15 per cent has had less impact on the decision to buy than most of us anticipated. We always thought people would take the mortgages, the interest rate was not as relevant a factor as a lot of people thought, 15 per cent is not deterring too many people from buying. What happens when the interest rate goes up? The building society is looking at a chap's earnings and what proportion is paid out in mortgage payments and applies a multiple to his earnings to give a maximum mortgage. At the moment they are working on twice earnings, at twice earnings a lot of people cannot afford to bridge the gap. In other words, take a £16,000 house: normally a chap gets £14,000 mortgage and £2,000 of his own money. Nowadays it is only a £12,000 mortgage, twice his earnings of £6,000 a year and he cannot find £4,000 and still furnish it. Buying the house is only part of the cost. The cost of furnishing it is a hell of a cost.

Mr Winnick

714. Surely that means if it is decided to increase the building society mortgage interest rate to make it more competitive, it would certainly have an effect on house building?

(Mr Baron.) Oh, yes. I think if the mortgage rates move to a more competitive or market clearing rate particularly, they will only clear the market by pricing out a lot of the demand at the bottom. I am opposed to market clearing rates because I think it is pricing too many people out of the market whom we want in the market.

715. Despite what you have just told me

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[Continued]

[Mr Winnick Contd.]

about the 15 per cent?

(Mr Baron.) The 15 per cent is a marginal effect but it does not have as great an effect as everybody thought. I think at 18 per cent it would really start hitting and stop people. What is stopping people more is the amount of mortgage but as earnings go up that will improve a little.

Mr Miscampbell

716. Related to this matter but on a side issue, you mentioned in passing you thought you would have to tap fresh resources and mentioned, of course, the pension funds and other funds. Did you envisage that the Government should take powers in order to correct that?

(Mr Baron.) No. Somebody has to initiate a new institution that can tap the insurance companies. The insurance companies do not want to grant mortgages direct, particularly pension funds; they want to do it through an intermediary. The building societies are not a satisfactory intermediary so we have to find another intermediary who will take the money from the pension funds and translate it into mortgages. Somebody has got to initiate that. It has got to be a fairly hefty organisation because we are talking in terms of a need for money at the rate of one to two billion a year at the present time, so it is not going to be a chickenfeed institution or a chickenfeed organisation.

717. I have only two queries about that. Take, for instance, Scottish Widows which I know about: certainly over the years they have been prepared to lend for all forms of house improvement although possibly not for a straight mortgage. If you need extra to extend the house you can borrow from them. If the mortgage rate were lower than the going rate in the market, how could one induce — unless one used compulsion — those who are protecting the incomes of people in the future and paying pensions to enter into a mortgage contract which would not be very attractive?

(Mr Baron.) This is the problem, the institutions get a higher rate elsewhere than they get in the mortgage market. One has to find a method of bridging the gap, and there are various ideas that have been floating round. It would be of value to the house builders and the house builders have pushed some form of equity sharing mortgage, some form of index-linked mortgage. All these are possibilities, the idea being to try and bridge the gap between what the

chap can pay when he first gets the mortgage and the real rate the institutions want. As time passes by the borrower is more able to pay more and there might be low start mortgages with a slightly higher finish; but somehow over the period of the mortgage the institution has to get the rate it could get in gilts.

(Mr Miscampbell.) Anyone who gets through the first five years with inflation at the present rate is all right.

Chairman

718. Is the effect of what you are saying that except for the first five years the interest rates would not significantly affect the demand?

(Mr Baron.) I do not think it is the first five, I think it is probably the first two to three. After three years most people can afford the mortgage a lot more easily than they could when they first took it out. At that stage interest would not bother them.

Mr Scott

719. This may be an idiotic idea but could one encourage the building societies to concentrate on financing first-time purchasers and have this new money perhaps at a higher rate of interest giving the insurance companies a better rate of return concentrating on the secondhand market?

(Mr Baron.) I think basically there should be a distinction drawn between the first purchaser and second purchaser. Usually the second purchaser is in a better financial position with a more mature family and has probably been in a job longer and got a higher tax rate. I would much rather see the differentials in relation to tax bands than first and second purchaser. I think the chap getting the tax concession should pay the higher rate, he can afford to. I would rather see the building societies do something related a bit more to tax rates than to first or second purchasers.

Chairman

720. Could we go back to the question of the sale of council houses? You do suggest that council houses might prove difficult to resell. Could you expand on that?

(Mr Baron.) The house builders may think that, I do not.

(Mr Humber.) We made it clear that there is some difference of view within the industry and I think to a considerable extent the views that were expressed to us about this were selected against the local circumstances and local experience of particular

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[Continued]

[Chairman Contd.]

builders. As Mr Baron quite rightly said earlier on with regard to competition, the severity of the competition would vary very substantially from one area to another; equally I think the extent to which this might be a factor would vary substantially from one area to another. However, I think we could cite, first of all, the experience that some members have quoted to us of estates where they have had mixed developments of council houses for sale and private houses for sale, where the houses for sale have sold at a discount over other comparable estates in the same area. This might lead one to suppose that there would be at least a market discount. Secondly, some of our members did express reservations about the effect of "pepper potting" of sales in certain estates, particularly where environmentally the estate was not particularly attractive, where the person buying that house at an attractive discount and so on in the first place might find that because owner/occupation remained so much a minority on that particular estate and the estate itself did not improve over time, that the resale value of that particular unit might not rise very rapidly, or it might not be at all easy to sell. Having said that, I think the majority of builders do take the view that irrespective of whether the resale rates ever reached, as it were, open market resale rates the advantages to the council house purchasers because of the size of the original discounts would still mean that they would end up with a substantial increase in equity. There might in some limited circumstances be some difficulty in reselling.

(Mr Baron.) There would be a difficulty in reselling if you were the only or one of a limited number of owners on an estate. This is where the problem could occur or if you are an owner/occupier in an area of real environmental deprivation, as happens in certain places in Glasgow. I cannot imagine any great growth in values of houses in Glasgow, not so much because of the houses but because of the people who live in them. In the main this is a fear that will be limited to circumstances such as the ownership of the odd flat in a large block.

(Mr Humber.) We would not want to over-exaggerate this, but it has been expressed to us. We do feel it requires some examination.

721. Looking at the aspects of that, you say in paragraph 4.3 of your evidence that "the sale of council houses will...over time provide a larger market for house-builders

to build for council house purchasers wishing to 'trade-up' at some point in five to seven years time." The Department of the Environment's appraisal, when it was considering the impact on reletting, was working on the assumption that nearly all council house purchasers would otherwise have stayed in their homes for 30 years or so. To what extent is your assessment of that based on a different assessment of the length of time that the council house purchaser would otherwise have stayed in his home?

(Mr Baron.) A lot of people who buy their council house would have stayed there, if they had not been able to buy it. Having got on to the home ownership ladder they will see attraction — or, rather, more attraction — in moving. They will be more able to move. I would think at the end of the day they will be just like other owner/occupiers. They will be happy with the house and the place in which they live, if it suits their needs. If they have got aspirations to something different they will move, and they will at least be in a position to do that move. I do not think, then, that we are any different from the government view. I do not think anything can be 100 per cent either way: some of them may have moved.

(Mr Humber.) Could I add to that? I think the extent to which this will or will not happen will depend upon whether different groups come in to buying their council houses, as has been the case in the past. We understand that certainly the majority of people who have bought their council houses in the past have tended to be tenants who have been there for quite a long time. They have on average tended to be more elderly than the average first time house purchaser. If the effect of the Government promoting council house sales is that you bring in new and different groups who are more characteristic of owner/occupiers across the board you may see a different rate of move altogether. It is the need to balance all of these assumptions together, to take into account all of these assumptions, that made us make this comment.

722. I would like to go back to one point that we were dealing with earlier. That was the projection of housing demand. To what extent do you feel that the availability of that sort of projection is an important tool for your members, and to what extent would you agree with the Secretary of State that there is really very little purpose in making this sort of projection?

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[Chairman Contd.]

(Mr Baron.) As a tool to our members, frankly, I am not interested, as a business man, as to whether there are two houses for every household in the country. If I build the right product that is attractive enough then I will get someone to buy it. What it means is that if more houses are built than are needed the poorest end of the existing stock will become either unsellable or unsaleable. From that point of view I am in business to attract people from where they are living into what I am offering. If I do the job right I will sell. From a planning point of view I think some guidance is necessary. This is about as far as I go along with it. The numbers game would be useful where some better guidance to the planning authorities would be appropriate. Unless you say to them "You have got to produce all the land that is necessary to meet the demands that are put on you by builders" — which is rather more than any government would want to go — one needs some indication to planners as to the provision they ought to make, because you have got to plan with some assessment of needs. At the moment they make their own individual assessments: some are too low, some are over-optimistic. You can have as many houses as you want on the top of a hill in Wales, but that is not much use if you work in Birmingham.

723. There seem to be some diversions in the written evidence you gave us, as in paragraph 1.5 of your written evidence you say "Although this is not central to the Enquiry by the Environment Committee, HBF considers that it is of the utmost importance to the development of housing policy that the Government of the day should produce and update projections of housing requirement and then develop its policies in relation to this requirement."

(Mr Baron.) There is a slight difference of view between the house builders who wrote this before I saw it.

(Mr Humber.) That should not be exaggerated, however. I do not think Mr Baron ought to exaggerate that. The point being made here is firstly that no one would suggest that the Green Paper estimates or any other estimates are of value to house builders in running their business. This is correct. Our concern is to create a context within which the planning authorities should operate whereas, going back to a point that was made earlier with regard to the Birmingham structure plan, that operated on the basis of certain assumptions that may have been

valid at any one time. I am not familiar with the exact details of it, but if it followed the example of the majority of structure plans it also tended to work in isolation from the surrounding structure planning authorities. Our concern has been that the individual structure plan projections of housing requirement within the geographical areas of each of the structure planning authorities has very often tended to exclude certain realistic assumptions about growth and migration and about the interaction of what is happening in other adjacent areas; and that only if you have some total approach in the aggregate to housing requirements that puts together all of these structure plans and puts them into a context will you actually have a realistic guideline for the individual planning authorities, either in advance of them making their plans or *ex post facto* for the government of the day to actually evaluate whether the planning system is going in the right direction. Until very recently we have lacked this entirely. When we say that the status of the Green Paper requirement needs to be clarified, what we are really asking is that the Green Paper should not be just left on the table as it is because there are obviously a lot of criticisms of some of its assumptions. We would like to see the Government pay more attention to regular updating of this for the benefit of planning authorities to try to overcome some of the more unrealistic projections that are made individually without an aggregate context.

Mr Sever

724. I agree with the general content of that. I am sure that is right. I think we have been helped a bit lately by the advent of county structure plans where there has, certainly on the Birmingham example, been an input into the country structure plans which includes Birmingham and Walsall and so on in the general regional area. That has helped to some extent. Going back to the original argument, though, if they are all wrong anyway it is not much use having a corporate wrongness.

(Mr Humber.) We would make this point particularly with regard to the assumption of inner cities. What we see in so many of the county structure plans — particularly those adjacent to London, Essex, for example — is that the assumptions in the structure plan about the housing requirement in that county are wholly unrealistic because they make over-optimistic assumptions about what is going to happen in the stock-

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[Continued

[Mr Sever Contd.]

land and in inner London in the short term. We might all wish what they project is going to happen to happen, but the fact is it is not going to happen in the time scale of the Essex structure plan. It is really this requirement of aggregation that we are con-

cerned about.

(Chairman.) Thank you very much indeed. We are very grateful to you for coming. Your evidence has been very interesting.



## THAMESDOWN BOROUGH COUNCIL

## SALE OF COUNCIL HOUSES

## Evidence to the House of Commons Select Committee, March 1980

The following evidence is provided in response to a request, dated 18 February\*, received from the Clerk to the House of Commons Environment Committee, and is set out in the form of responses to the items in the Questionnaire supplied with that request.

The Borough Council is currently following a housing policy which is designed to achieve on average, the construction of 1,350 new housing units per annum, in the following tenure mix:

Council housing for rent	400
Council housing specifically built for sale to nominated purchasers (i.e. council tenants or applicants)	150
Housing Associations	150
Private housing for sale	650

This enables the Council to meet the needs of most categories of applicant for council housing within about 12 months of application. The position is much less satisfactory for elderly persons accommodation and the Council is endeavouring to increase the proportion of such accommodation in its new building programmes.

The provision of council housing to rent for incoming key workers on a short term or long term basis is an important element in the Council's employment promotion policies.

The Council has been very active and successful in developing small estates of housing built for sale to council housing tenants or applicants. It has also sponsored private developments of a similar type for sale to council tenants or applicants and thus maintained production of such housing during periods of recession and enabled developers to achieve costs and selling prices below those of comparable speculative developments.

The Council also provides facilities for the sale of council houses (but not at the proposed higher discounts) and certain types of property are excluded (e.g. listed buildings in the Railway Village, multi-storey flats and elderly persons accommodation which is restricted in location and short in supply).

The Council is therefore particularly concerned that the limited discretion which it has found it necessary to exercise in order to achieve its housing policies, maintain and improve the housing stock and meet various categories of need, may be denied by the proposed mandatory provisions for the sale of council houses.

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Thamesdown Borough Council

\* Printed on page 1.

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## A FINANCIAL ASPECTS

- (i) The rate at which applications were being received declined when the Council decided not to implement the increased discounts until the Bill is enacted. Up to 29 February 1980, 704 tenants had applied and the "old" sales scheme is still in operation.
- (ii) No financial gain or loss is anticipated in the long run. There should be a gain in the short run which equates to the "cashing in" of the gain that would accrue through the rent income, given time. This gain is however reduced disproportionately by the discounts. The answer really appears to depend upon what assumptions one makes.
- (iii) The properties most likely to sell are those built between 1950 and 1974. Older properties which are unmodernised would generate a bigger capital gain whilst new ones are liable to run into the "cost floor" barrier. Older modernised houses are likely to create a capital loss if the "cost floor" barrier does not apply.
- (iv) The proposal is not expected to have any significant financial impact in the medium term, but insufficient evidence exists to comment realistically.
- (v) Evidence is very limited, but indicates that in the short term there will be no significant change in management and maintenance costs. Evidence is insufficient for comment on the longer term effect. However, houses sold so far have generally tended to be those which produce the least management and maintenance costs in any case, and this seems likely to continue. Thus it could be conjectured that a similar level of management and maintenance activity will still be needed over the reduced stock of properties with the effect of increasing unit costs.
- (vi) Locally, a large number of relets arise through tenants buying low-cost housing for sale (often built by the Council, or encouraged by it). When the Bill is enacted evidence indicates that many of these tenants will stay in and buy their Council houses, thus substantially reducing the available relets, and at the same time reducing the demand but not the need for low cost housing in the private sector. (The "mortgage famine" of early 1970's substantially reduced relets, discouraged private house building and caused rapid escalation of housing waiting lists).
- (vii) The Council has identified a total need (in its strategy statement) of about 1,350 houses per year. At present there is no evidence to show how (if at all) the mix of tenures should be altered to reflect the possible impact of a large level of sales of Council dwellings.
- (viii) So far no applications to purchase flats have been received. In the case of high rise flats it is likely that the calculation of service charges would be a problem. Locally, flats tend to be unpopular, and even those built for sale in the private sector have proved difficult to sell.
- (ix) If the implications of this are clearly understood, the take-up of an option to buy could be considerable. This would result in administrative problems and have staffing implications, and could not, of course, be done by outside agencies.
- (x) (a) In the short term, the purchaser would face higher outgoings; in the long term, purchasers would presumably own a saleable asset.  
(b) Insufficient evidence, but it is likely that in an ideal situation large scale sales could reduce the upward trend on rent levels by reducing the total outstanding housing debt. However, the circumstances referred to in para. (iii) and escalating costs of new building will have a contrary effect.
- (xi) Average rent £9.40. Average mortgage (assuming £13,000 OMV 45 per cent discount, 25 years option mortgage) about £16.60 (interest only).
- (xii) See answers to (vi) and (vii) above.

Sale of council houses in large numbers throughout Thamesdown would be likely to reduce the effectiveness of the Borough Council's own housing for sale and nominated purchaser developments, of which about 2,000 units have been built, and which forms 10 per cent of the Borough Council's overall house building policy. This is because the main source of purchasers for these houses are either existing council house tenants, or people eligible for the Housing Waiting List, who by transferring, release a council house

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[Continued]

for families in greater need. Another possible consequence would effect the older terraced housing adjacent to the centre of Swindon, which represents the traditional first-time buyer housing stock. The release and purchase of substantial numbers of council houses at significant discounts would effectively destroy the market for these houses, initially at least. One consequence of this would be the deterioration of the urban core of Swindon where, until now, improvement and modernisation has taken place both spontaneously and through the Borough Council declared General Improvement Areas. This would in time lead to further demolitions and call for replacement by the public sector of a substantial part of the 14,000 or so houses in this area.

The present trend for first time buyers to move into these terraced houses and improve them, is producing a healthy renewal of communities in which the elderly retired were predominant. A substantial fall in demand would leave more of the elderly in sub-standard housing, with lack of community support and making heavier demands on social services. In the rural areas of Thamesdown, the sale of council houses could lead to an absence of property available for letting to the poorer members of the community who would not be able to afford to buy property in those locations. Some rural council houses would very quickly achieve premium prices because of their advantageous location. This would negate the Borough Council's policy of maintaining "balanced communities", whether in the urban or rural areas, and increase the trend towards dormitory villages with no independent life of their own.

(xiii) It does not appear so. The most probable effect is to increase the housing waiting lists and/or to result in modification of the tenure mix of new development. The Borough Council has a well defined housing policy relating to key worker immigration.

- (1) Key workers are generally offered council housing for rent either temporarily or permanently, from firms who are expanding within Swindon or moving in to establish new premises.
- (2) The Borough Council's housing for sale, and nominated purchaser schemes offer houses at discounted prices, with guaranteed mortgages. These are also available to incoming key workers.
- (3) The Borough Council encourages a wide mix of private housing for sale ranging from flats through to executive dwellings, either within the major development areas, or in the larger rural settlements within Thamesdown.
- (4) In addition housing associations cater for specialist purposes, particularly single people and the elderly.

Each of these components form part of the housing policy, based on a new-build target of between 1,350 and 1,500 units annually of all types. The release of a substantial number of existing council houses for sale would not in any way assist in achievement of the current policies which have been developed over a number of years. These policies are regularly monitored and evaluated to take account of changing trends. The loss of family houses to rent would further increase the housing waiting list, which is currently increasing in spite of the substantial housing programme. One consequence would be to reduce the availability of key worker housing to rent, thus defeating one important objective of the Council's housing and employment policies. The provision of housing and employment are jointly of first priority in the Council's Corporate Plans and absorb a major share of resources.

(xiv) No known statistics.

## B SOCIAL ASPECTS

- (i) (a) Two and three bedroomed houses built between 1950-1974.
- (b) Sales on difficult estates will be very low, and sales elsewhere are not likely to effect this situation. Sales generally, by encouraging people who would otherwise have moved to the private sector to buy, could improve the social "mix" of people on estates and thereby generate a better integrated community. In new development areas, the Borough Council now endeavours to achieve mixed developments on small related council, private and housing association sites.

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[Continued]

Generally the best houses in the best locations attract buyers and eventually a situation could conceivably arise where only the less desirable properties in unpopular areas are left for people who are unable to buy. In Swindon this might include housing estates built before 1930 and post-war non-traditional housing on the largest council estates where there is little or no "social mix".

- (ii) 3,984 people are on the housing waiting list, and all have some degree of need or desire (at 1 March 1980). The lists are renewed annually to maintain accuracy.
- (iii) During the past four years a significant increase. This stabilised last year and is now falling.
- (iv) The generous discounts could create a greater demand for Council housing (as many more people may wish to avail themselves of the low prices) and the level of available relets would reduce as explained in A (vi) above. At the same time the new build programme will be curtailed in line with the HIP allocation.
- (v) The transfer list of 2,360 at present, and about 553 transfers are carried out each year. The reduction in supply of relets and new dwellings outlined in B (iv) and A (vi) above would have a similar effect on transfers.
- (vi) Income levels have been marginally below those required by Building Societies for private sector dwellings. The age range is about 25-45 years. Tenants, in general, cover the whole range of status, income and age group, with the majority in the 25-45 years range, and the elderly.
- (vii) Present sales are scattered and small in number and there is very little evidence available.
- (viii) No evidence.
- (ix) See answers to A (xiii) above for relationship to employment programme. The generation of housing and employment to meet the natural growth of population and employment need arising from previous inward migration and redundancies in older manufacturing industries are the Borough Council's two first priorities. Social problems could arise in course of time from the sale of the newer and improved housing stock, leaving ghettos of the less attractive council housing within which the socially deprived and problem families are likely to be concentrated. This kind of situation has so far been avoided successfully through the Borough Council's policies which are aimed to maintain a satisfactory social mix and the integration of incoming population.

See also A(xii) with regard to central area housing and rural area housing. The Borough Council would consider providing small numbers of low cost houses for sale in appropriate villages for housing tenants or housing applicants, should the need be established; in most villages there is little evidence of demand for this at present.

- (x) See A(vi) (xii) and (xiii), B(i) (iv) and (ix), C(i) and (ii). There is at present an inadequate supply of housing for elderly people and long waiting periods. The Borough Council is attempting to overcome this by new building, but identification of suitable sites in established communities is inevitably slower than "green field" developments. As in the past, the Borough Council will carefully monitor changing requirements and attempt to modify its policies to meet these, so far as HIP allocations and other constraints will allow.
- (xi) The Borough Council is very concerned about the loss of control of the Railway Village, an area of listed buildings which has been acquired and carefully restored and modernised by the Borough Council over the last 10 years. This is a highly prized asset, both in terms of elegance and utility and tenancies are most sought after, particularly because of the close proximity to the town centre. These houses have consistently been kept out of the Council's housing sales policy as it would be extremely difficult to ensure that the high standard of urban landscape so carefully recreated would be maintained. These houses would be very attractive to purchasers and would be likely to attract premium prices on resale. The loss of this substantial stock of central area properties for letting could not be made good elsewhere in the central area and would therefore have seriously adverse social consequences, particularly for the elderly who are reluctant to accept tenancies on remote new housing estates.

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[Continued]

- (xii) No comment.  
 (xiii) No.  
 (xiv) (a) See A(iii) and B(i) above.  
 (b) Sales are relatively small so the effect at present is insignificant. (The Borough Council has sponsored "housing for sale" schemes in new developments for council tenants and applicants, and these have proved very popular and successful.)  
 (xv) No evidence as yet.  
 (xvi) No evidence as yet.  
 (xvii) See A(i) above. Sales have virtually stopped pending legislation, although the present sales scheme is still operating. Although fairly static (see B(iii) and (v)) the reduction in relets now showing could be due to this factor or to the current difficulty which tenants on limited incomes may find in getting mortgages for private sector dwellings coupled with the high mortgage interest rates. The private sector building and sales market in this area continues to be buoyant.

- C (i)  
 (1) The Table 1 below demonstrates the growth of housing stock in Thamesdown since 1961. There has been an overall increase of 50 per cent, made up of 13,200 dwellings in the owner-occupied sector, and 4,900 dwellings in the council for rent sector, the remainder being due largely to housing association activity. Since March 1976, the major new development area has been to the west of the existing Thamesdown boundary, within the North Wiltshire District, and in an area currently under review by the Boundary Commission. To date some 1,600 dwellings have been completed in this area.  
 (2) The greatest increase has been in the owner-occupied sector, which has grown 66 per cent in 20 years, compared with 45 per cent in the council for rent housing stock. Included in the private sector are approximately 2,000 houses which have been built for the Borough Council (and the predecessor Swindon B.C.) specifically for sale to people living in council houses or on the existing waiting list.  
 (3) The pace of development has increased since 1976 largely through the opening up of the Western development Area, as is shown on Table 2 below. The continuing development of this area throughout the 1980s is vital for the continuation of the Borough Council's development policies as laid down in the Corporate Plan.  
 (4) Further information of a general nature is given in the accompanying booklet: "Housing, A Corporate Planning Information Report" which examines the housing characteristics of Thamesdown in great detail.

Thamesdown Borough Council; Change in housing stock

Table 1

1961-1980 (1st January)

(a) Numbers

	Owner occupied	Council rent	Private rent, etc.	Total
1961 .. ..	20,000	11,000	5,400	36,400
1971 .. ..	27,100	13,600	4,900	45,600
1980 .. ..	33,220	15,930	5,570	54,720
(b) Proportions				
1961 .. ..	55%	30%	15%	36,400
1971 .. ..	59%	30%	11%	45,600
1980 .. ..	61%	29%	10%	54,720
(c) Change				
1961-71 .. ..	+7,100 (+35.5%)	+2,600 (+23.6%)	-500 (-9.3%)	+9,200 (+25.2%)
1971-80 .. ..	+6,120 (+22.6%)	+2,330 (+17%)	+670 (+13.7%)	9,120 (+20%)
1961-80 .. ..	+13,220 (+66.1%)	+4,930 (+44.8%)	+170 (+3.1%)	+18,320 (+50.3%)

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[Continued]

New dwelling completions 1976 to 1st January 1980

Table 2

Financial Years	Rented		Private Sale	Total	Western Development Area
	Council	Housing Association			
1976/7 .. ..	259	168	436	863	135
1977/8 .. ..	532	210	758	1,500	343
1978/9 .. ..	623	131	682	1,436	410
1979/80 .. ..	214	35	716	965	695
(9 months only)					
Total .. ..	1,628	544	2,592	4,764	1,583
Annual Average	434	145	691	1,270	

## C. (ii)

- (1) Forecasts of future housing demand have been made in the Borough Council's Corporate Plan, and as part of the Housing Investment Programme, which reflects the policies outlined in the Corporate Plan. At present the Borough Council is implementing a policy of 1,500 new dwellings annually, first estimated in 1976, and reviewed in 1978 in the Corporate Plan 1978-81. This policy calls for a total of 1,500 houses to be built each year broken down as follows:

Council housing for rent	..	..	..	..	500
Council housing purpose built for sale	..	..	..	..	150
Housing Association	..	..	..	..	150
Private for sale	..	..	..	..	700
					<hr/> 1,500 <hr/>

- (2) The tenure split was based on the following factors:
- Housing associations would largely accommodate specialist needs, i.e. elderly, disabled, and single persons' requirements.
  - Council housing for rent would accommodate families who were not able or did not wish to buy their own housing, in addition to providing accommodation for key workers from the G.L.C. area at an estimated rate of 125 families annually.
  - Council housing purpose-built for sale would provide essentially starter homes, supplementing the private market, and cater for people who, currently living in council houses, wished to buy their own homes but could not meet traditional building society requirements, without reducing the overall stock of council housing for rent. The Swindon Borough Council was one of the pioneers of this type of housing and the policy has been continued by Thamesdown Borough Council. To date approximately 2,000 houses of this type have been built, either in this way or through nominated purchaser schemes with private builders.
  - Private house building for sale provides the normal range of owner-properties ranging from single person flats through to luxury executive type housing in both the urban and rural areas.
- (3) The overall demand for housing has been based partly on a continuation of Swindon as a growth area, in line with the policies expressed in the Silver Report and the "Strategic Settlement Pattern for the South West" published by the S.W. Economic Planning Council, but mainly through the locally generated demand resulting from the second generation migrant effect of children who having left school and found jobs, will eventually require houses within Thamesdown.
- (4) The original estimate of demand has been revised following a local population head-count undertaken in October 1978, and the Borough Council now intends

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[Continued]

that about 1,350 dwellings should be built each year throughout the 1980s, in the following proportions:

Council housing for rent	..	..	..	..	400
Council housing purpose built for sale (and nominated purchase)	..	..	..	..	150
Housing Association	..	..	..	..	150
Private for sale	..	..	..	..	650
Total	..	..	..	..	1350

The relatively large public sector rent element is required to satisfy both new family housing requirements, and to cater for an increasing elderly population, who, throughout the 1980s, will require an enhanced supply of purpose built elderly persons' housing to rent. At least 200 of the new council for rent dwellings, and virtually all the Housing Association dwellings are expected to be in this category.

- (5) The Borough Council is implementing (and will continue to implement) these policies through the creation of "urban villages" in which communities of between 1,500 and 2,000 dwellings are related to primary schools and community facilities. In the South Dorcan area in the S.E. sector of Swindon, this was achieved by the Borough Council acquiring land, installing infrastructure and disposing of private sector elements to builders, within an overall framework of 150 dwellings or so per site. In the current Western Development Area this policy is not possible because of large land holdings, bought by private house builders in anticipation of development. Instead an overall Master Plan has been evolved within which the public and private sectors will co-exist—exchanging land where required, and the Borough Council using its land holding for public sector rented housing, and for sale to those smaller private house builders who were unable to build up their own land banks. In this way the original concept of a "balanced community" is maintained, through the effective partnership of public and private land developers. Three such urban villages are currently under construction, one mainly on public sector land (since partly disposed of to private builders), one mainly on private sector land, and the third shared between the two. The Borough Council is currently submitting planning applications for two further urban villages, one largely situated on public sector land and the other partly on private sector land, in conjunction with a major national house builder. These applications are considered essential to maintain the continuity of a balanced housing programme through the 1980s, catering for the needs of all sectors of the local community.
- (6) The Borough Council has for a number of years undertaken surveys of the local private housing market, including house builders, estate agents, and building societies. The most recent, dating from September 1979, suggests that the private housebuilding industry is capable of meeting the demands of the owner occupier market, and that the older terraced property in Swindon provides much needed homes for first time buyers.

The major restriction on the private housing market is the reduction in mortgage availability, which a reduction in general interest rates could alleviate. Land has been made available, through the development and disposal of Borough Council owned sites, and through the development of private land holdings, within an overall context of balanced communities.

The Borough Council has successfully encouraged the first time buyer's market through building houses specifically for sale, and through nominated purchaser arrangements with local builders. This forms an integral part of its overall housing policy.

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[Continued

- (7) *Documents referred to:*  
 Corporate Plan 1978-1981  
 Housebuilding and Housing Demand in Thamesdown 1979  
 Population Head Count 1978—Report of Survey.

C. (iii) Details attached.\*

21 March 1980

# APPENDIX I

## BOROUGH OF THAMESDOWN

### Council House Sales

Supplementary evidence to the House of Commons Environment Committee on matters referred to in the Minutes of Evidence dated 3rd June, 1980.

725. The following table shows the numbers of Council house tenants who purchased properties in the financial years 1978/79 and 1979/80, by taking advantage of one or other of the various schemes operated by the Borough Council.

	Number of tenants purchasing 1978/79	1979/80
Nominated purchasers — Council sponsored schemes of houses built for sale .. .. .	57	22
Mortgages provided by the Council under Housing (Financial Provisions) Act 1958 .. .. .	83	47
Tenants purchasing their Council house — mortgage provided by the Borough Council .. .. .	10	19
Council tenants purchasing property in the private sector with the aid of a building society mortgage obtained through the Building Society/Local Authority support lending scheme .. .. .	101	22

726. Council properties vacated (excluding transfers) within the financial years:—

1974/75 .. .. .	448	Council Housing Stock Approx. 13,300
1975/76 .. .. .	533	
1976/77 .. .. .	570	
1977/78 .. .. .	742	
1978/79 .. .. .	599	
1979/80 .. .. .	666	Approx. 16,000

Possible reasons for the reduction in the number and proportion of properties vacated (and hence available for reletting) over the last 2 years include:—

- (1) The increase in property values.
- (2) The increase in the mortgage lending rate.
- (3) Since the 'right to buy' has been introduced by the Government a number of tenants who might have purchased property in the private sector are waiting for the introduction of the Housing Act, the attraction, of course, being the substantial discount provided.
- (4) The funds available from the local authority to assist first-time buyers to purchase in the private sector have also been reduced during the last few years. For the financial year 1980/81 the Council has only £800,000 available to assist Council tenants and applicants on the housing waiting list to acquire pre-1919 properties. (£4.2m in the peak year 1974/75).

\* Not printed.



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[Continued

772/774. The waiting list for those interested in the purpose built housing for sale schemes has recently been reviewed and now reveals that 1721 applicants are interested in this scheme. (An earlier figure of 800 was mentioned to the Select Committee).

Of the 1721 applicants included on the list, 163 are tenants of the Council. This figure indicates a reduction since the Government's proposals relating to the 'right to buy' were introduced. The balance of 1558 are applicants registered on the housing waiting list who are interested in this form of purchase.

776. The number of Council properties within the smaller villages are as follows:—

Village	Parish Population	Council Housing Stock
Bishopstone .. .. .	580	21
Blunsdon .. .. .	2070	157
Castle Eaton .. .. .	240	16
Chiseldon .. .. .	2420	218
Hannington .. .. .	250	20
Inglesham .. .. .	90	11
Liddington .. .. .	340	36
South Marston .. .. .	560	71
Stanton Fitzwarren .. .. .	190	15
Wanborough .. .. .	970	58

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COUNCILLOR A J MASTERS, MR D M KENT,  
MR G BLYTHE and MR G HAMILTON

[Continued

TUESDAY 3 JUNE 1980

## Members present:

Mr Bruce Douglas-Mann, in the Chair	Mr John Sever
Mr Geoffrey Johnson-Smith	Mr Robin Squire
Mr Jim Marshall	Mr Malcolm Thornton
Dr Brian Mawhinney	Mr David Winnick
Mr Norman Miscampbell	
Mr Nicholas Scott	

## MEMORANDUM SUBMITTED BY THAMESDOWN BOROUGH COUNCIL

## Examination of witnesses

COUNCILLOR A J MASTERS, Leader of the Council; MR D M KENT, Chief Executive and Town Clerk; MR G BLYTHE, Director, Development and Housing; and MR G HAMILTON, Assistant Chief Executive, of the Thamesdown Borough Council, called in and examined.

## Chairman

725. Good afternoon. We are grateful to you for having taken the trouble to submit your written evidence, and for coming to talk to us and to answer our further questions this afternoon. We were very interested by your evidence, and that is one of the reasons why we have selected you from the very large number of local authorities who have submitted written evidence and have offered to give oral evidence. Could I start by asking if you could give us some indication of the proportion of relets which at present arise through tenants buying low-cost housing built for sale by Swindon Council? You may prefer to give us this in writing later\*.

(*Mr Blythe.*) I think I would prefer to do that, but perhaps I could just elaborate a little on this one. The number of relets has decreased, for varying reasons, over the last year, so it is difficult at the moment to be able to give you an exact figure as to what that is.

726. We would be very interested in the statistics relating to the pattern of relets, because we have had evidence about changes in the pattern of relets in other local authorities over the past year, and we would be very grateful for your view as to what may be the causes that lie behind any changes which have taken place. I do not know if you would like to add to that straightaway?

(*Mr Blythe.*) Yes, I think we could add something as to the reasons.

(*Mr Kent.*) We can give you the answer to that one.

(*Mr Blythe.*) I think that the basic reason for that is that the high mortgage rate inevitably has caused a slow-down of the transfers from the public sector to the private sector. We have also had a slow-down in anticipation of the new Act which will give tenants, quite clearly, the advantages that we are here to discuss today, so the attraction to move out of the council houses has now diminished to that extent. House prices in Swindon have increased quite significantly. We are led to believe that over the last quarter house prices have gone up by about 6 per cent. Therefore, I think that the compounding of the high interest rates for mortgages, the higher price of houses and, I suppose, to some extent the increasing amount of unemployment in that particular sector, have all caused the depression in movement. I will give you the quantification of that in writing afterwards\*, if I may. I have not got those figures this afternoon.

(*Mr Kent.*) Another particularly marked feature is that, with the legislation pending, people, particularly in desirable houses, are not moving out of them.

(*Cllr Masters.*) I would like to say that I am aware that relets are not coming along as well as they used to, and that in itself has been a contributory factor to the lengthening of the waiting list. There are a number of

\* See Appendix I page 250.

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[Continued

[Chairman Contd.]

factors to that, which have been outlined. I could not give you the figures, but we will let you have them.

Mr Johnson-Smith

727. How long has the Council operated a council house sales scheme?

(Mr Blythe.) Since the late 1950s.

728. I thought it had been some time.

(Mr Blythe.) We think we are a pioneer in that direction (we claim to be, anyway).

729. I understood it was some time. Has it occurred to you at all that there may be another reason for the slowing down of relets? A number of reasons have been mentioned by Mr Blythe, and they are very understandable. The fact that people know that they can buy their own homes is a reason, and if there was no such scheme then perhaps there would be more property available for let, as people died off, rather than stayed on and owned their own homes.

(Mr Blythe.) On that, the situation at the moment is that there are quite a large number of starter homes, if I can call them that, being built by private enterprise, so there is the opportunity for people to be able actually to buy houses in considerable numbers.

730. Anywhere?

(Mr Blythe.) Anywhere. Our houses in the housing-for-sale sector are demonstrably cheaper than the traditional starter home that is being built for specially by the smaller builders and, indeed, some of the bigger builders, again for obvious reasons with which I think you will be familiar. So there is still the opportunity to buy, and it is going quite well. We have got 800 people actually on the "For sale" list. The problem that they have at the moment is in getting mortgages, because most of the people on our "For sale" list require up to 100 per cent. mortgages, and it is extremely difficult to get them.

731. Was it ever argued, when you started this scheme, that it would actually reduce the number of relets because people would stay on in council house dwellings, by the fact that they could buy the house they lived in?

(Mr Blythe.) No. Could I explain this? There is a fundamental difference. I hope we are not talking at cross-purposes here. I was talking about our housing-for-sale scheme as opposed to the sale of council

houses (which you are aware we actually do).

732. I am thinking of the houses which have actually been built.

(Mr Blythe.) Purpose-built houses?

733. No, not for sale, but houses which people are renting.

(Mr Blythe.) We are at cross-purposes.

(Cllr Masters.) Can we be clear on this?

We were talking about our scheme which was derived from the fact that we felt as an authority then that this was the right thing. We always believed, and still believe, that we are one of the most enlightened authorities in the country, particularly on housing. I believe it can be said that in those days we were either the first or one of the first authorities that built actually for sale, but the houses were for those on the waiting list or existing council tenants. That was in the 1950s. In those days, because of the post-war pressure, we had built council houses on traditional lines, in big housing estates which we did not like, but it was due to the pressure of the immediate post-war years. Since then we have gone to what we feel to be a much more enlightened way of doing it, and that is that we invented the urban village (we like to think we did, anyway). We got ideas from all around, but I think we were the first really to do it. There we have got community councils whereby we have got the labourer, the managing director and so on who are running community councils and are running community buildings which we provided at very low rents to them. They are doing that, and that is the centre of the village. The whole idea and concept is that you have got a variable tenure pattern and you have not got the large estates. This is one of our big fears, that this will bring about a lowering of this and a destroying of it.

(Mr Kent.) Can I give you the figures because we do build comprehensive developments normally on greenfield sites. As the Leader of the Council was saying, we try to avoid single-class housing. We have 40 per cent to private speculative developments. The Council normally buys the land and services it and sells it, and we have been doing it for more than 30 years. We have 25 per cent to local authority housing for letting, 10 per cent to housing associations, and 25 per cent to Council-built properties for sale, and this has been going on for a very long time as well. What the Council objects to in this Bill is being forced to sell

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[Continued]

[Mr Johnson-Smith Contd.]

houses against its discretion as a housing authority. It has always been willing to sell houses but objects to being forced to sell them.

734. Did not the original scheme at any time allow people to buy one of the houses which you had built to let or did you just adopt the policy that you could only buy if you built something?

(Mr Kent.) Any house, subject to a limit in certain areas, particularly in the villages, because we tried to retain some sort of housing for letting. We have an area of 100 square miles and we have several attractive villages and we are worried that these houses will be sold off and the villages will become single-class commuter communities.

735. Can I clarify what is meant by "urban villages"? Are these all within the Swindon Metropolitan Borough area or villages outside?

(Mr Kent.) No, they are progressive extensions of the Swindon urban area in a westerly direction towards Chippenham.

(Cllr Masters.) Perhaps I can correct Mr Kent. The first two urban villages are in what is the urban area of Swindon. It is an extension of the old original Swindon obviously, but the latest one that we are building is subject to a boundary change which is now under consideration.

(Mr Kent.) Cllr Masters is quite right. It is still an extension of the urban area of Swindon. We are going over our boundary, but subject to the Boundary Commission's report being implemented, we expect to have this area incorporated within Thamesdown next April.

Mr Winnick

736. The number of purpose-built homes for selling which were started, which I think somewhere in the evidence you call essentially starter homes, is 2,000?

(Mr Blythe.) Yes, that is right.

737. Do you feel there would be a clear disincentive for existing council tenants to buy such houses if they stay in their own homes where they are at the moment and get very substantial discounts? Is that your view?

(Mr Blythe.) Yes, very much our view. This is one of the reasons perhaps why the purpose-built housing-for-sale schemes are slowing down a little bit in that direction. Clearly, through our proposals for the purpose-built housing-for-sale schemes the dis-

count at the moment is about 7½ per cent in effect, so that anybody buying a house would have a benefit of about 7½ per cent on the normal market sale price. Relating that to the opportunity to buy their own council house at a considerably lower figure than the purpose-built house to start with, and with a greater discount, then the advantages of buying the council house they live in are much greater.

Mr Squire

738. You say you sell at the moment. Presumably you do not sell at the full range of discount that would be open to you when you are required to sell under the powers of the Bill?

(Mr Blythe.) I think we must avoid the confusion between the purpose-built housing-for-sale and the ordinary council houses we are selling. Your question is relating to the latter, that is, the traditional council houses.

739. That is true.

(Mr Blythe.) The discount is less than the opportunity that would be given under the Act.

740. Presumably, therefore, there would be some tenants who would not be able to afford your purpose-built housing-for-sale, who would nonetheless be able to purchase under the new legislation?

(Mr Blythe.) Yes, that is possible.

Mr Winnick

741. Can you give some indication of the price of the starter homes?

(Mr Blythe.) On average about £18,000 at the moment. They have gone rocketing up, of course, recently. I think £18,000 is the most recent price that we have agreed with the private developer who is actually building them for us at the moment.

Mr Johnson-Smith

742. Under the proposed legislation if you have someone living in a council house which has been built for rent who is then asked to buy, would not that change?

(Mr Blythe.) These houses vary enormously. I should think probably the best figure to give would be about £13,000. They are a bit more attractive type of house than most, we are expecting to see interest in.

Mr Winnick

743. If, as seems to be the case as given in your written evidence, increasingly for

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[Continued]

[Mr Winnick Contd.]

price reasons and council tenants want to buy their own dwellings instead of the homes which you have built for sale, what would be the social effects of the difficulties of rehousing people because the accommodation would not be available?

(Mr Blythe.) Basically the social effect would be in the longer term, I believe, where, with the lack of movement out of the public sector, because people would be buying their homes in the areas that have been allocated for the public sector activity, it will gradually mean over the years that the opportunity to provide accommodation for people who cannot afford their own homes means they will then be forced to rent houses in the larger and more conventional older estates and, therefore, the opportunities for people living in the kind of tenure system that Cllr Masters described in our urban villages would diminish quite significantly. We will, therefore, have much larger proportions of owner-occupiers in the urban villages and much greater proportions of people in council houses living in the older estates. That is the thing we have been trying to break down over the last ten years.

744. Would you subscribe to the view, perhaps the Government's view, that if the movement were much slower than those who would normally be rehoused in properties made vacant, cannot be rehoused in the normal way? Why can they not buy the sort of homes you have been building in the last few years?

(Mr Blythe.) I think basically because they cannot at the moment afford to do so.

(Cllr Masters.) Plus the mortgage famine. Do not underestimate that. One of the prime difficulties has been — and I think we should have been much more successful on our scheme, which is the one we have run over the years, had we had better co-operation with the building societies, but the ups and downs we have had (but again I think Mr Blythe will probably confirm this one way or the other), but I think in more recent times we have had a better turnaround on this on our houses because builders are now involved in pushing with us on it, and there has been some slight improvement but there has been difficulty with mortgages, particularly for first-time buyers and these are in the main first-time buyers. Again, the situation is one where we do feel that we will not be able to sustain that scheme because of the new legislation,

and once you lose the continuity it is very difficult to start it again. I think in the initial stages the tendency we are seeing now is holding-off at the moment until this legislation is through one way or the other, so that they know where they stand and make the choice that way, because there is a much bigger incentive, irrespective of what the income level is and variations of income levels, in owning a council house. The situation is one where we are all looking and seeing which is going to be the best bargain, because of the very fact that we are an expanding town. We have built very rapidly — forced expansion it has been, it has not been natural expansion — and in that time we have built at a much higher rate as regards council houses than probably a more conventional authority. Therefore, we have got a very high rate, in very good areas, of good council housing, and the more enhanced discounts of up to 30 per cent. Obviously the incentive is to wait a while there. That situation, we are afraid, is going to knock not only that scheme, but it will knock this mix as well in the final analysis and in the long term.

Mr Scott

745. There seems to be a slight difference of opinion. There is obviously more than one factor in this slowing down. One is perhaps the inability of potential purchasers to meet the requirements of building societies in terms of income, and then there is the general mortgage famine. First, is it possible to say how the balance between those two has lain over the past 12 months? The second point is, could you say, on this build-for-sale policy, is the Council bearing part of the cost of this, or does it recover it all when the houses are sold?

(Cllr Masters.) We recover it.

(Mr Blythe.) We certainly more than recover it. There is a pre-emption scheme on our build-for-sale scheme. It is a 10-year pre-emption scheme. On the first five years we buy back at the sale price. On the second five years we buy back, because of the 7½ per cent discount, at 92½ per cent of the open market value. The maths on that show that there are financial gains to the Council, which we then pass on, because once we have built it in that category we then resell the property at a discount once more, if it is handed back to the Council.

746. The price at which you sell it in the

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[Continued]

[Mr Scott Contd.]

first place covers all your administrative costs and everything?

(Mr Blythe.) Yes, indeed. Latterly we have been putting land in at its full market value. We have been doing this over the last 15 years or so, and there have been occasions in the past when land has been put in at cost (for example, if the particular state of the market demanded that kind of relaxation). But at the moment, with a very buoyant situation where land values are going at their proper value, the houses are being sold at their proper value. As I think Cllr Masters has said, the 7½ per cent discount is there because the developer or the builder has not got the marketing risk. He is not in a position where he has to load the price because of the marketing risk, and neither has he got the problem of having to build show houses and the other things, because we have got a large waiting list of people, we make the introductions, therefore the thing flows very smoothly and easily. Also, he has at least, at the last stop, got a fallback, in that we guarantee to buy any house that has not been sold. In the 15 or 20 years we have never had to do that.

747. And on the mortgage famine?

(Mr Blythe.) I will take the question of the mortgage famine, and I think you related that also to the increased house prices. It is extremely difficult to say which of those is really causing the slow-down; I think it must be a combination of the two. We have certainly got no information at all to be able to come back to you and say which of those two factors is causing the greatest influence.

(Cllr Masters.) I accept that there is probably a mixture of reasons, but to say which has had the biggest emphasis I think would be extremely difficult to pinpoint with any real evidence. I do feel that basically there has been this tendency to hold off now for that period, and it is probably for those two main reasons. I would say that they have got equal emphasis. That is the best I can say.

(Mr Kent.) We can see the same tendency in the private housing market which is part of the whole. The private developers are having some difficulties. The overall housing production in the area is about 1,500 a year: 900 private and 600 council. The private developers are having some difficulty in selling their private houses.

(Chairman.) We were just coming on to the question of the effect of council house sales on the rural areas.

Dr Mawhinney

748. I would like to ask two questions to clarify things that have been said that I am not clear about. First of all, Mr Kent said that the reason that they were against this present Bill was because it forced them to sell against their discretion. Is that right, Mr Kent?

(Mr Kent.) That is right.

749. Do you mean by that that the fundamental opposition to it is because it impinges on local democracy and has got little, if anything, to do with houses, or is it houses that you are talking about? Could you clarify where the role of house selling comes into this, and what the role of local democracy is in this situation.

(Mr Kent.) I would be happy to deal with this. First of all, if you believe in local government you believe that a local authority should have the right to run its own affairs without interference from the centre. Surely the best judge of the local housing market and the needs of the population is the elected local authority. So the two really intermingle. The local authority has a very proud record in housing and, of course, is town development, and it objects to being told that it must sell houses in areas where it thinks, as a housing authority, that this is unwise because the long-term consequences could be quite serious.

750. I think it is helpful to the Committee to know that there is a component of opposition to the Bill in terms other than simply housing.

(Mr Kent.) Indeed.

751. Secondly, Cllr Masters said that he felt that there would have been more sales at the moment if they had had "better co-operation with the building societies". Could you tell us what specific criticisms of the building societies you have in mind, which account for this lack of co-operation?

(Cllr Masters.) First and foremost, they are completely unco-operative, particularly to the first-time buyer, on houses of, shall we say, the older age bracket, going back to the 1920s. They are completely against that. We in Swindon have a very good stock of houses that we want to preserve, and measures have been taken to assist on that. This is my opinion, and I think it is backed up by the fact that there are very few people who get mortgages on that basis. The fact is, of course, that the throughput on those

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[Continued

[Dr Mawhinney Contd.]

types of property is mainly falling on the local authority. As you would all know, there have been restrictions on that end, because we have never been able to get enough funding for the remit that we could fulfil. We have been restricted on public funds, and the basic idea was that the building societies would fill that shortfall. This they have not been doing. This is my contention.

Mr Marshall

752. This is relevant to the question which Dr Mawhinney asked Mr Kent earlier, because after Mr Kent answered the question he did throw out a line which might imply that your evidence was more based upon political considerations than objective assessment of the housing situation in your own area, and I am sure you would like the opportunity to refute that and say to the Committee that your evidence is based upon objective assessment of the housing need in your own area and the consequential effects that the Housing Bill is likely to have in your area in the future. I am sure you would like the opportunity to do that, would you not?

(Mr Kent.) Yes. I think I am quite capable of making my own statements, but the point was that the Council feels that, with its record, it does not need to be put into a position where its discretion as a housing authority is going to be inhibited and, indeed, put into a position where the long-term development of Swindon, which has got a very prosperous future in front of it, is going to be inhibited by what the Council regards as a misconceived housing policy being imposed from the centre. That is not political. This has to do with local democracy, and I know that many Conservative authorities feel the same.

(Cllr Masters.) I do not know whether you want an explanation of this particular one, but the point is that we could keep talking about the political nature of it. What I am putting to you is this — and I am the political animal here — that what I am saying is based on our experience, based on hard fact. We have been a housing authority for a goodly number of years; we have expanded at a terrific rate, as I believe our record shows, and we have had visits from most of the larger authorities in the country to take a look at what we are doing, and they likewise they see. We have been grappling with some problems that it is alleged anyway from lots of quarters in housing that this Bill seeks to try and ful-

fil, and I am claiming that we have grappled with those problems with a terrific amount of success, and the one platform that I go to bat on is that good housing, whether it be rented or whether it is owned across the board with the proper mix, plays a very large part in the social background and the social difficulties that arise if you do not achieve the eradication of those problems in housing. I am saying to you that we have reached a balance in all those areas and there is plenty of evidence here to show that and we can give you the back-up figures. What I am saying to all of you — and I am extending it to you now; I was going to save it to the end — is what we would like you to do is to come along to Thamesdown and see for yourselves. You are quite at liberty on my invitation to come along and see it and get all the details because we are quite proud of what we have done and we really believe that there are certain aspects of this Bill which will, in effect, destroy a lot of what we have achieved and be the undoing and particularly create a lot of social problems which we have been eradicating over a goodly number of years, because good housing is the key to it.

(Chairman.) I am grateful to you for that invitation. I am sure all Members of the Committee would like to be able to accept it. Whether we can fit it into our timetable remains to be seen, but we are grateful for the invitation.

Mr Scott

753. Could I raise one further point on the built-for-sale area. As I understand it, the case is that these are offered to people who are already council tenants or people on the waiting list and that because of the provisions of this Bill demand for that housing from council tenants will be undermined because it will be easier to buy their own. Firstly, would you consider you ought, therefore, to make it more attractive and more readily available to people on the waiting list to be able to go into such houses, and secondly, would you consider extending your policies so that those houses built for sale would be offered to people who are not on the waiting list or not already council tenants? What is your objection to doing that?

(Mr Kent.) The flaw is that somebody who is not on the waiting list is rather anxious to get into an ordinary council house so that he can qualify for a discount. They are not interested in a break-even built-for-sale scheme where there is no fin-

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[Continued]

[Mr Scott Contd.]

ancial advantage at all.

754. It would be a balance to his advantage. If he can see he is unlikely or unable to get a council house, he might decide to go for that offer?

(Mr Kent.) He might.

Mr Miscampbell

755. What is the waiting list?

(Mr Blythe.) About 4,000. On the point that was made about selling those houses intended for purpose-built for sale, we have found — I do not know whether the Act will change this whole situation socially — that people would be rather regretful, those who have already paid for houses under the housing for sale scheme. We have the feeling, but we cannot demonstrate it because we have not actually sold one or had to take one back and let it, if we did start to break up that tenure pattern by letting a house intended for sale, the people who have already bought their houses may feel let down, as they have stepped out of that.

Mr Scott

756. I was not suggesting you should let houses built for sale, but you should extend the offer of those houses to people who are not on the waiting list and not already council tenants. What is the objection to that?

(Mr Blythe.) None at all. That can be done.

(Cllr Masters.) Do we not recognise — and you would recognise, would you not — that anyone who is interested who would be seeking to buy a house — and there are young couples seeking to buy houses — they can all get onto our waiting list. They just come and register. They never become council house tenants that way and they come through that way, so there is no debar whatever.

Dr Mawhinney

757. Going back to what Mr Kent said, there can be a balance of advantage in seeking to buy a council house over the purpose-built house. There is equally a balance of advantage over buying a purpose-built house as opposed to renting as a council tenant. Is that not so?

(Mr Kent.) That is perfectly true but these discounts are large and it is possible to find a very good house at a very cheap price.

Mr Scott

758. Once you qualify?

(Mr Kent.) Once you qualify.

Mr Johnson-Smith

759. What is the qualifying period? How long is the average length of stay on a waiting list?

(Mr Blythe.) About two years at the moment.

760. As little as that?

(Mr Kent.) We have a very large housing programme.

(Cllr Masters.) It depends. We are talking about young couples basically.

Mr Winnick

761. Your evidence refers to another aspect of housing and that is the effect that the Housing Bill, or Act in due course, would have on the older terraced houses adjacent to the centre of Swindon. Why do you think there would be an adverse effect on the older terraced properties?

(Mr Blythe.) Basically because we found from our information and from people seeking mortgages through the Council that it is the council tenant who is more inclined to look towards the 1919 or just after terraced house for first-time purchase. This is the cheapest housing in Thamesdown at the moment. Therefore, what we are suggesting is, given the opportunity to have the benefit of the discounts, the young council tenant of today is not likely to be competitive for the cheap house within the inner area, the terraced house, which could be rather difficult to sell.

762. Are you saying, in effect, that is the main those who have been buying up the old terraced houses as first-time owner-occupier have been people who have been living in council dwellings?

(Mr Blythe.) Yes. I think this is something we can demonstrate. A terraced house is about £12,000 to £14,000 and could be less depending on its condition, of course.

(Mr Kent.) If you allow a discount you can see why we have a problem. In Swindon, a pre-1919 unmodernised property is between £8,000–£12,000, a private sector two-bedroomed house, £16,500–17,500, a two-bedroomed council house, £13,000, and a three-bedroomed council house, £14,500. When you take out the maximum discount from the price of the council house you can see why cheap private sector housing is being undermined and why there is such a lot of it.



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[Continued

[Mr Winnick Contd.]

763. What do you think would happen if your forecast tends to be correct and these older terraced houses are not going to be bought up? What do you think is likely to happen? Will they go into multi-storey occupation?

(Mr Kent.) They may be cleared for commercial development or the Council may be obliged to buy them and modernise them, but the Council will have bought up pre-1919 modernised houses and given them away at very low prices, perhaps £6,000 for a modernised three-bedroomed house in Swindon.

(Cllr Masters.) I believe the Council will be faced with a problem that did start to appear. A lot of these types of houses that we are talking about, 1919-type properties — and there are a goodly number in Swindon — that have been well looked after over the years have started to come to a point of deterioration, and it was only as a result of a Council initiative that we got them improved and these are the houses that the youngsters, particularly in the low income brackets, are seeking. But our fear is, of course, and I think there is some justification for it and it is demonstrated by the figures, that with the added incentive of the 33 per cent they will go for council houses and we will not have them for letting.

764. Reverting to the earlier point, presumably it will create the problem that whereas, if people move out, they release the council accommodation, it will not be so if your forecasts are correct?

(Cllr Masters.) That will add to the problem.

(Mr Kent.) The Council as a matter of policy, when preparing a new central area plan for Swindon, has tried to preserve the existing housing accommodation in the centre, to stop the spread of the commercial centre. We do feel, for the reasons I have outlined, that this policy could well be undermined, and that we could see a greater polarisation between commercial and residential than we have at the moment.

Mr Johnson-Smith

765. Are these houses the sort of house that one wants to preserve? We have been very conscious, certainly in London and in some of the big cities, that too many councils for too long have smashed up well-established neighbourhoods with often very good-quality housing. Some are of very fine architectural quality. The councils then erect monstrosities in place of these houses,

which are inhuman. Is the sort of terraced house that you are talking about of that quality, or might there not be something to be said here for redevelopment of a more human character?

(Cllr Masters.) No, they are of the quality that you are talking about. We are quite proud of them, and I think people who visit are quite proud of them. The situation is that, as you know, Swindon was based on the old Great Western Railway. The old Great Western Railway had a fine tradition of inducement to house ownership anyway. They were built up in the first expansion of Swindon. Once they had built the Railway Village and they got more workers, this was the way it was done, and this was when those houses were built. They are still delightful houses to live in and are well sought after. We would not like to see the deterioration or the redevelopment of them.

Dr Mawhinney

766. I am confused on this, because it seems to me that what we are being told is that there is some fear about these older houses, and we are being told that they are in fact fine houses and that in some way they may not be wanted after this Bill becomes law. If you boil that down to its basics, what we are being told is that supply is greater than demand. Is that what we are being told? If it is, it is the first bit of evidence this Committee has ever had from any local authority, that supply is greater than demand. If supply is not greater than demand, if demand will continue to be greater than supply, how can you make a case for saying that there will be no interest in these older houses? The fact is that they may not be as attractive as you would like them to be, but that is a long way short of saying that there will be no demand for them, is it not?

(Cllr Masters.) I think I referred earlier to the social evils that will evolve. What I am saying is that we, as an enlightened authority, accept the fact that in the society in which we live, whichever way we look at it, there is going to be a demand for rented accommodation, and there is going to be a demand for private accommodation (that is, owner-occupation). That is going to fluctuate, as it has over the years, based upon other factors outside the control of the Council anyway, and outside the control of a lot of the people who are going to be searching for housing as the years go by, as people die off and the younger ones come up for that. What we are saying is that on

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[Continued]

[Dr Mawhinney *Contd.*]

our projection figures there is not going to be an over-provision, but there is going to be an under-provision. The under-provision is going to manifest itself in, and depend upon, the economic recovery, shall we say, of the country, as much as it is anything else, as to the ability of people to buy houses or even to rent them if they are available. As regards the sector who are, for a period, able to get a better incentive, their natural tendency will be to go for that better incentive. For that period we are going to have a tendency for people not to be going for those types of houses. Therefore, there could be a deterioration, and that is our fear.

Chairman

767. Does that not mean that, as you told us that the present price is in the region of £12,000 to £13,000, it will fall to £11,000 to £12,000, rather than that they will not be sold at all?

(*Mr Kent.*) They might. It is not that supply is becoming greater than demand, it is merely that demand is being distorted by the proposed Housing Bill.

Mr Johnson-Smith

768. I can see how it would be distorted immediately you are offering a discount of 30 per cent plus on a council house, and here are these terraced houses without the discount. But as there is a very strong demand for housing in the area, and as they are attractive houses, presumably there will be a market? It may find itself at a lower rate, but it will be found, will it not?

(*Mr Kent.*) We also, of course, have the private housing sector going ahead as well. I would have thought that, given the choice, if somebody cannot buy a council house at a discount they will go for a modern private-sector house, in preference to these older houses which will need a lot of rehabilitation.

Dr Mawhinney

769. So there will be no demand for these houses; the supply in the other sectors will be such that there will be no demand for these houses?

(*Mr Kent.*) We can see a lack of demand for these houses, leading to their being redeveloped for other purposes, or to their dereliction, which will lead to the same thing.

(*Mr Blythe.*) I think a diminishing demand is a better term.

770. A diminishing demand is an awful long way from no demand. That is exactly what I am trying to determine, and the Chief Executive is saying that there is no demand.

(*Cllr Masters.*) That does not mean to say, though, that there is not going to be an unfulfilled demand in other parts.

(*Mr Kent.*) Could I give a brief example of what I mean? Under the last Labour Government we were authorised to buy up a large number of private-sector houses to supplement the council housing stock. When we resold those houses the ordinary private-sector houses that we bought were sold at a profit, but the Council had actually made a loss on reselling these inner area terraced houses. That proves, at least from my point of view, that there is a very limited and fragile demand for these houses, and it appears to us that the limited and fragile demand is going to be further undermined.

Mr Johnson-Smith

771. Is this because they are situated in undesirable parts of the town? I gather not. One of the reasons for people not buying cheaper housing closer to London is not just a question of differentials under this Bill, but it is the fact that people do not like the areas, they have become rotten, their social fabric has deteriorated. I assume that in Swindon, from what I hear, these nice terraced houses are in desirable areas and are desirable in themselves?

(*Mr Kent.*) They are sound houses, but they lack the amenities that we have in our newer development areas further out. There are not so many open spaces, the schools are older, and, of course, you get a lot of parking in the streets, that sort of thing.

(*Cllr Masters.*) Do not compare them with the areas that you would know.

Mr Miscampbell

772. Can we get the figures into some perspective? How many sitting tenants do you think are actually going to buy houses year by year? When you look at that number, what proportion of them would have been potential tenants for other houses in any event?

(*Mr Blythe.*) Quite a few, I think. At the moment, as I mentioned earlier on, we have got 800\*, and most of them are existing council tenants as opposed to people on the council waiting list, who are already waiting and who have put their name down to buy through one of our housing-for-sale

\* See Appendix I page 250.

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schemes. That is already an indication of the large number of people who have had the opportunity and are having the opportunity to buy a cheap house.

773. How many of those 800 are on the waiting list, and how many are in existing houses?

(Mr Blythe.) I do not know the division between the two, but I can certainly provide that. We know that they are council house tenants or are on the waiting list at the moment.

Chairman

774. If you could let us have that in writing we would be grateful\*.

(Mr Blythe.) Indeed.

(Chairman.) Now I think Mr Johnson-Smith wanted to ask about the rural areas.

Mr Johnson-Smith

775. I know you feel strongly about not selling houses in rural areas, for fear of creating dormitory areas and destroying the other aspects, by people who have got money and who will turn them into a dormitory. What proportion of stock have you got anyway in the rural areas?

(Cllr Masters.) About one-third.

(Mr Blythe.) Slightly less than one-third now.

(Cllr Masters.) 26 or 27 per cent.

(Mr Blythe.) I should think, about a quarter.

(Cllr Masters.) It is about 26 or 27 per cent.

776. That is quite large, is it not?

(Mr Blythe.) We have to be very careful, because when we are talking about the villages in the context that I think you are meaning, we have a very small supply in the more attractive villages where we feel that the kind of problems we have indicated in the written evidence would come into being. The rest of the so-called rural area has one or two large settlements where there are large or fairly large council areas. So that I think the point we are making is related to the more ruralised part of Thamesdown as opposed to the more built-up part of the rural area, if you can see the distinction; within the attractive villages, that is the real problem.

(Mr Kent.) We already have a second-home problem in the rural part of the Borough because of the proximity of the motorway.

(Cllr Masters.) Could I say there are

around Swindon a number of very desirable and very attractive villages, and I suppose that you gentlemen are conversant with them. The situation is particularly high. I would say it is of the order of 20 per cent. I will come down a bit because there are some areas where they are bordering on the urban because they are not so close in to Swindon. But what I am saying is I believe we are going to be faced with problems, problems we are already facing for varying reasons in the villages anyway, but there is a tendency already and the pressure is on those villages. That is why the Wiltshire County Council in their Structure Plan have put a restriction on a lot of these villages. I do not think we oppose them on that aspect of it. Indeed, we support them in that. We do not want to despoil them but, of course, what we want to see is that we are not going to be faced with this problem which has been rife going back a few years, and particularly in Wiltshire we have a lot of it. That is where the old tied accommodation died out and we have now got our municipally-owned or Council-owned properties in a lot of those villages, housing a lot of old people, and once you get this sort of thing going on with the pressures that can be put on them, if they cannot get in one way — because, believe you me, the planning applications that repeatedly come up month after month on some of these villages — they will do almost anything to get in and it is going to be a very good avenue for them to do it, to be quite honest about it. I am saying I do not think there is anything political about it. This is a practical, proper outlook of most of the people that I talk to, irrespective of their political affiliation, particularly in the rural areas, and they are very worried about this. To keep a village alive you have to have the artisan and the chappie who is going to be doing the jobs round a village as well as the squire and old Uncle Tom Cobbleigh and all who probably only come for weekends or on holiday. It is that fear that if that goes you are not going to be able to replace them. I am often reminded of this, very much so, by the squires or so-called squires, for want of a better word, of some of the villages, who quite unashamedly tell me — and I am often in company with my opposite number in the minority group, when it is said that if we lose those chaps because we cannot afford to pay the wages (and we do not pay the wages in rural areas that are paid in the larger urban

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[Continued]

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areas) then the only way we are going to keep those is that we are going to have to bouse them in the urban areas and they will have to travel backwards and forwards and I cannot see that coming. It is a long way round, but I wanted to demonstrate this, that there is a real, live fear and I think there is some justification for it.

Mr Scott

777. Could we turn to the Railway Village?

(Mr Kent.) I took the opportunity of circulating a leaflet\* that will explain what the Railway Village is.

778. Could you sketch in some details about how many buildings or dwellings there are there, what percentage of those you own, the sort of people who live there and the sort of houses they consist of? Could you give us a thumbnail sketch?

(Cllr Masters.) Could I say, first of all, that I am rather proud of the Railway Village. As you may have suspected, I am a railway man and the fact is that I am quite proud of even what the old Great Western Railway did. They did a lot of good things, some of which we could tell you about. The situation is that the village, I believe, got to a point where it was nearly bulldozed, and it would have broken my heart to have seen it bulldozed. I am very pleased to see it has now been brought back to better glory than ever it was. The situation is that basically the residents there now are mainly in the elderly bracket. They are those in the main who were previous residents before they were modernised, or they have been displaced from the central area by the re-organisation of the central area, where there was a core area that had to go. They are mainly in the elderly bracket anyway. There has been — and I think it is right that this should come out — a lot of pressure, and personally I have had quite a lot of inducement one way or the other by junior executives and even more senior executives to, "Get me a house in there. It is just ideal for me, right in the centre of town." The accommodation is very good and probably will over a period of time if they are sold increase in value at a much more rapid pace than any other council house we have. That is the position there. The attractiveness of them and the environmental treatment we have given to the whole area makes it a lovely place to live in but still right in the centre of the town.

\*Not printed

(Mr Kent.) There are some 375 housing units and the Borough Council owns all the units and treats the whole area as a council estate.

779. Apart from the obvious benefit, I suppose for all sorts of reasons, pride, understandable pride, being one of them, in having an area run as a coherent whole in the centre of Swindon, why do you suppose if these houses were sold and the sort of people that you have talked about came in there would be a deterioration of the urban townscape, which is what you suggest in your evidence?

(Mr Kent.) We feel it is going to be very difficult to retain environmental control of the area without retaining ownership, because the Council has spent more than £2 million of Government grants on rehabilitating this area. A lot of the tenants are elderly. It is a very much sought-after place. If the elderly tenants cannot be accommodated there they are going to have to be accommodated in new development areas which, of course, are not so attractive and very much further away from the centre of town. The other point is that there is an increasing tendency for the children of elderly tenants to encourage the tenants to buy their property because the capital gain, particularly on a property in the Railway Village, will be quite substantial. The Borough Council is afraid that even though they may impose a series of restrictive covenants on the sale of the houses, nevertheless the control they have had in stopping multiple occupation, commercial use and the like is going to be relaxed and the major benefit for that area of the town would be eroded.

(Cllr Masters.) It serves two purposes. It serves a need in the town at this present time and I see no reason and there are no figures that can be produced as yet that can show that the need and the demand would diminish, and it is a terrific fillip for us from the point of view of the elderly, and particularly those with a disability as well — and there are a goodly number of them in there. They are right in the middle of town, close and handy to everything, and they live a fullness of life which they would never be able to live if they were condemned to go elsewhere. I am not just looking at it tomorrow but the day after that and the day after that.

Chairman

780. The witnesses from Crawley are already five minutes behind time so I would

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[Continued]

[Chairman Contd.]

like to bring this session to a close within a few minutes. I know there are questions we wanted to ask about housing for the elderly and about key workers. May I ask you to deal with that. Those are the principal points which we have not as yet covered. Can I ask you to deal fairly briefly with the problems which you envisage as a consequence of the Bill in relation both to housing for the elderly and for key workers?

(*Cllr Masters.*) I shall start on the basic principle, on the elderly, because particularly in the ward that I represent there is a very high percentage of elderly. Although on a national average, taking Thamesdown as a whole, we have probably got a lower average of elderly (that is, people over 65 years of age), we do have areas where they are particularly predominant. We have a problem with accommodation for the elderly. I want to bring this point out. We believe that the enactment will only tend to exaggerate that problem and tend to make it worse.

(*Mr Blythe.*) I cannot really add a great deal to that quantitatively. Over half of the present capital programme for new build we have got allocated to the provision of accommodation for the elderly, which is quite extraordinary in an expanding town. It is something we have not done in the past, and therefore we are catching up. Coming back to the context of today's discussion, I think our major fear is that in a particular sector of shortage — i.e. shortage of elderly persons' accommodation — any enactment is going to mean that that kind of provision will be reduced, through the sale opportunities for people to have elderly persons' accommodation. That is one thing that we are afraid of. So we can see problems particularly in the villages, for example, where we have a large number of elderly people living, and in certain cases they are under-occupying houses. We would very much welcome the chance of being able to build purpose-built accommodation, smaller units for them, and then allocating those houses for young families to regenerate the areas. Again, without the ability to prevent some of those houses from being sold, we will not have the chance to do the kind of decanting within the villages that up to now has been very beneficial.

781. Can you say how your HIP allocations for 1980/81 are affecting your view as to what you are going to be able to do both in the housing field generally and for the elderly?

(*Mr Blythe.*) In this current year we shall be living on the fat, if I can put it that way. We had a large number of contractual commitments, and therefore they are going to be the first call on the money we have allocated for the new build. Our main concern is next year and the uncertainty of the amount of money that is going to be available for the new build, the consequences that that will have, particularly on our elderly persons building programme.

782. Have you taken into account the possibility of your HIP allocation being supplemented by the proceeds of sales?

(*Mr Blythe.*) We have had regard to the principle of that happening. I must admit that at the moment there is nothing in this year's programme that would give me any comfort in that direction, certainly on the sales-of-council-houses direction. In the last year we have sold only 23 houses under our present scheme, which is an indicator that, quite clearly, everybody is waiting for the new Act, to take the benefits. Of those 23, only one of those was by way of a private-sector mortgage, even though the first requirement of anybody coming in to buy a house through one of our mortgages is to give us an indication of whether they have been successful in getting a private-sector one. The obvious answer is that they could not, and therefore only one has been successful in that particular direction.

(*Cllr Masters.*) We want to be clear on that. We are talking about sales largely to sitting tenants.

783. We understand that the position can well be different from time to time, under the Bill.

(*Cllr Masters.*) Can I add to what Mr Blythe has said? I did a considerable amount of canvassing, because we were one of the authorities that had an election this year. There was a terrific amount of, shall we say, propaganda put out on sales of council houses — not by me, but anyway there was a lot about. This led to quite a lot of doorstep questions and answers. I can tell you that with regard to some 1,000 in the area that I represent, and adjacent to my area (because we have got a split on a council housing estate), the situation is that what is being fed back to me is that nine out of every 10 people I interviewed are looking to the local authority to supply the cash. Therefore there is not going to be that amount of cash sales, not on the indicators that we are getting at this point in time.

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COUNCILLOR A J MASTERS, MR D M KENT,  
MR G BLYTHE AND MR G HAMILTON

[Continued

[Chairman Contd.]

784. Thank you very much. I am sure we could usefully go on for considerably longer, but, if we may, we would like to send you further written questions arising from the evidence you have given and on the points we have not been able to deal with. We shall certainly consider very carefully whether we can take up your invita-

tion to come and see the situation on the ground. Thank you very much indeed.

(*Cllr Masters.*) We shall be only too pleased to try and assist you, and we do hope you will try to take up and avail yourselves of the invitation that we have extended.

(*Chairman.*) Thank you.

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COUNCILLOR A E PEGLER, OBE  
MR K J L NEWELL, MR A C PEARCE

[Continued

## Members present:

Mr Bruce Douglas-Mann, in the Chair	
Mr Geoffrey Johnson-Smith	Mr John Sever
Mr Jim Marshall	Mr Robin Squire
Dr Brian Mawhinney	Mr Malcolm Thornton
Mr Norman Miscampbell	Mr David Winnick
Mr Nicholas Scott	

## CRAWLEY BOROUGH COUNCIL

## A FINANCIAL ASPECTS

- (i) *What evidence is available of the likely extent of sales if a statutory right to buy is enacted? If your view is based on an analysis of tenants' incomes, ages and other characteristics please provide details.*

The Council has indicated that it will not sell Council houses until such time as the Housing Bill becomes law. However, as a result of national publicity some 250 enquiries have been made (the Council's total housing stock being about 15,000 dwellings). During a four year period ending in 1974 approximately 20 per cent of a total housing stock of 14,000 dwellings were sold by the Commission for the New Towns and the former Urban District Council.

- (ii) *What overall financial gain or loss is anticipated to result from sales at the discounts provided for in the Housing Bill?*

As the average loan outstanding on the Council stock is £4,000 and the likely average sale price (assuming a 40 per cent discount) is £14,000 there could be a substantial initial gain to this authority.

In the long term the benefits must inevitably be subjective (e.g. the loans pool rate for 1980-81 is likely to be 13½ per cent against a 15 per cent mortgage rate) especially as over one third of outstanding debt is at a fixed rate. If one assumes that rents will keep pace in real terms with repairs and management, even allowing for increased cost of repairs, the real benefit will reduce with time.

Any benefit in terms of capital receipts will accrue over a long period as most tenants are likely to look to the Council for 'mortgage' facilities.

- (iii) *What differences are anticipated in the financial effects of sales of dwellings of different ages and types?*

Immediate post-war up to 1966 dwellings will benefit the authority by up to three times more than those built in the last five years. There is not a significant range of types to make sufficient difference to the benefit.

- (iv) *Are any indirect financial effects expected to result from sales (e.g. increased or reduced need for area improvement policies)?*

No.

- (v) *What evidence is available on the reduction in management and maintenance costs due to sales?*

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[Continued

It is not expected that economies in management and maintenance costs will be pro rata to the number of dwellings sold because of the 'pepperpotting' effect that will be created by the sale of dwellings.

(vi) *What is the likely scale of the loss of re-lets due to sales, and when will this loss occur?*

The loss of relets due to sales is likely to be similar in percentage terms to the loss experienced by the Commission for the New Towns when, during the years 1970 to 1974, they sold 2,300 houses and at the end of this period had 10,000 dwellings in rental. The percentage loss in relets which could be attributed to the reduced housing stock was 1 per cent and this loss would occur annually.

(vii) *What is the extent of the anticipated need for replacement of dwellings sold, by building or purchase?*

With both the Council's new build programme being reduced as a result of the recent HIPS allocation and the anticipated reduction in the number of relets available as a result of sales of dwellings, it is considered that the Council would need to increase its building programme in order to do no more than maintain the waiting list at its current level.

(viii) *What is the known or anticipated extent of sales of flats under leasehold arrangements? What gains or losses to the authority are known or anticipated in these cases? What difficulties are anticipated in the cases of such sales?*

It is anticipated that sales of flats are likely to be less than houses primarily because a substantial number of the tenants are middle-aged or elderly and unlikely to be in a position to avail themselves of the right to buy provisions. It is not possible to say what financial gains or losses there will be to the authority in these cases but it is thought there will be management problems in dealing with the maintenance of communal areas where flats have been sold.

(ix) *To what extent is it anticipated that the provisions of the Housing Bill for the 2-year options to purchase will be taken up? Is this expected to give rise to problems?*

As the option to purchase is a new provision it is impossible to anticipate the extent of the take-up but it is expected that as the option is returnable or absorbed in the purchase price, a considerable number of tenants are likely to use the option provision. It is envisaged that there will be some problems arising during the two year option period—for example on whether or not planned improvements should be carried out during the intervening period. On the more general aspect of the option provision the Council consider that during a period of increasing inflation a pegged sale price for up to two years will be financially detrimental to local authorities.

(x) *What gains or losses are known or anticipated to accrue,*

(a) *To tenant purchasers;*

(b) *To tenants who do not purchase (i.e. through increased or reduced rents)?*

The benefit to tenant purchasers in the long term is the capital gain accruing from the property but at the same time the purchaser will be faced with higher outgoings both in terms of mortgage repayments and maintenance costs.

On the basis that the Council operate a pooled rent system the continuing programme of replacement building at higher cost must inevitably result in increased rents for those tenants who do not purchase.

(xi) *What evidence do you have of the difference between rents and initial net mortgage payments on dwellings likely to be sold?*

The average rent is £400 per annum. Initial mortgage repayments (prior to tax relief) will be in the order of £2,100 per annum.

(xii) *What effects do you expect on the market for owner-occupied houses in your area?*

In the short term it is felt that the effect will be negligible. In the longer term, however, as the discount provisions reduce and houses come on to the market for resale, it is thought that this may have a dampening effect on the market for houses in the lower price range.

(xiii) *Can sales of council dwellings contribute in any way to the prosperity of the local economy, e.g. by relieving labour supply constraints?*

It is thought that, in the longer term, the sale of houses may assist mobility between owner-occupiers in the lower end of the market. Generally, the initial increase in outgoings being borne by the purchaser may be reflected in less cash being available for consumer goods.

(xiv) *What proportions of households will qualify for mortgages and discounts and what are the implications for the numbers and pattern of sales?*

In the absence of details of the 'National Scheme' for mortgage qualification and assum-



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[Continued]

ing an average gross earnings of £90 for principal earner and £20 for wife's earnings, the building society would probably allow a maximum mortgage of £11,000. It would seem that those with sufficient savings/the will to meet the difference between this and £14,000 average discount price are few and far between.

## B SOCIAL ASPECTS

- (i) *What properties do you expect will be sold under the new legislation? What impact do you expect sales to have on housing estates and especially unpopular and difficult to let estates?*

The type of properties we expect will be sold will be generally houses throughout all the estates in the town in a 'peppercorn' fashion. Few flats are expected to be sold and it is expected that fewer sales will take place in the newer estates developed over the past 7 or 8 years because in these areas there is a preponderance of young families who have not yet the financial resources to meet the higher cost of mortgage repayments.

- (ii) *What is the current demand for council housing in your area? How many households are on the waiting list and how representative is this of need?*

There is a considerable demand for council housing in Crawley not only from the locally based but also from those who commute from outside to their jobs in Crawley and Gatwick Airport. There are 1,932 on the Council's housing waiting list and apart from 180 service tenants who have registered an application as an insurance against being without a home in the future, the rest are applicants in need of accommodation.

- (iii) *What is the trend in the availability of properties for letting?*

The number of new house completions and relets are shown in the years 1974 to 1979 (inclusive). It will be seen the peak was reached in 1977 and it can be predicted with some certainty that the next few years will show a dramatic fall off in the supply due mainly to the Government's curtailment of cash under the HIP.

1974	..	..	..	..	567
1975	..	..	..	..	776
1976	..	..	..	..	951
1977	..	..	..	..	1,190
1978	..	..	..	..	1,065
1979	..	..	..	..	711

- (iv) *What effect do you expect the sale of council houses to have on demand for council housing and your ability to meet it? In particular, what impact do sales have on households on the waiting list and on the homeless? Are there particular consequences for special groups, viz, the elderly, disabled, handicapped, single parent families ... etc.?*

Based on the experience of former sales there will be fewer relets and with this reduction in the supply of dwellings for allocation the rehousing of applicants will take longer and the housing waiting list will lengthen. It is felt this reduction in the supply will have its impact equally across all categories of applicant.

- (v) *What effect do you expect the sale of council houses to have on those seeking transfers? If possible please relate your answer to quantitative information on the size of the transfer list and the rate of transfer and to your transfer policies.*

The sale of Council houses, by reducing stock, is bound to affect the number of transfers which can be effected because with a reduced supply the opportunities to help tenants with transfers must be fewer. It is likely, too, that many of the houses which will be sold will be the more popular types which will diminish the opportunities for those transfer applicants who aspire to this type of property. Currently the transfer list has 1,800 applicants on it and applicants are dealt with at the rate of approximately 30 per month. Transfers are recognised as an essential ingredient in this Council's housing policy and whilst priority is granted in the case of overcrowding, under-occupation or where there are urgent medical reasons, the underlying principle for satisfying applications is waiting time on the list.

- (vi) *What are the characteristics of tenants who have bought their dwellings in the past (in terms of age, household structure, income employment status, etc.)? How do these characteristics compare with those of tenants in general?*

The general characteristics of those tenants who purchased in the past can be summarised thus:—

Age range 30 to 50 years with one to three children mostly of school age. Husband

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[Continued

employed in local industry on shop floor in skilled or semi-skilled capacity and wife working in retail trade or office.

These characteristics are typical of the broad spread of Council tenants in the town and form the substantial "sandwich" between the older and the younger generation.

(vii) *What effect does/will the sale of council houses have on the effectiveness of housing management and on the quality of services to tenants?*

The sale of Council houses will not affect the quality of services to the tenant nor the effectiveness of housing management although it is likely to make the latter more complicated. The 'pepperpotting' of sold houses in terraces brings problems with regard to external painting, gutter, chimney stack and boundary fence repairs in apportioning liability. Furthermore, an owner occupier with greater licence to effect alterations to house and garden can effect the street scene adversely, particularly so when caravans and boats are parked indiscriminately in front gardens.

(viii) *What evidence do you have on the extent of the problems of default by tenant purchasers? To what extent have you repurchased from tenants and what difficulties and costs has this involved?*

Following the sale by the Commission for the New Towns in Crawley of 2,300 houses in the early 1970s a number of these owner-occupiers experienced financial difficulty in meeting their mortgage repayments and in the years between 1974 and 1978 the Commission repurchased some 12 houses back from the owners and took on the family as tenants. Although this represents only  $\frac{1}{2}$  per cent of the total houses sold, it is time-consuming in preparing reports and having cases considered by Committee and does require the necessary funds to be available to make the purchases.

(ix) *What consideration has been given to the impact of sales on other policies and programmes, e.g. employment, inner cities, social services and education?*

The considerations mentioned in this paragraph are not relevant to Crawley and selling houses to tenants will have no impact on other policies and programmes.

(x) *What is the impact of sales on local planning strategies e.g. concerning local needs, second homes, retirement, migration and employment and other objectives in planning policy?*

Selling houses will have no major impact in Crawley on local planning strategies but in the longer term it will increase mobility of labour by enabling people to pursue employment opportunities elsewhere. It would also facilitate people to retire more easily to areas of their choice.

(xi) *Are there any particular advantages and disadvantages?*

Mobility in the long term is an advantage and the loss of relets in the short term a disadvantage. A particular disadvantage in Crawley is the inability of applicants on the substantial waiting list to be able to afford the price of houses on the open market; these applicants have to rely on rented houses provided by the local authority and any decrease in the supply of rented houses (loss of relets) causes them to wait longer. This is particularly relevant at the present time when the cash allocation under the HIP has been cut to the extent that new house building in Crawley may come to a halt in the months ahead.

(xii) *How does the sale of new town owned dwellings affect the various social and employment objectives of the new town?*

Although Crawley was a New Town, since April 1978 when the Commission for the New Town's housing and related assets were transferred to the Borough Council, it really no longer holds this status. However, as already mentioned, the sale of houses will reduce the Council's ability (loss of relets) to house key workers in the town and at Gatwick Airport and also seriously affect the prospects of applicants on the substantial waiting list of local people.

(xiii) *Have properties been sold as vacant dwellings or below construction cost without discount? If so, how many? What is known of the characteristics of the purchasers?*

No vacant properties have been sold nor have properties been with discount below construction costs.

(xiv) *Please give other details of the characteristics of any dwellings which have been sold. How are the characteristics of the public sector housing stock changing under this and other influences?*

During the period 1970 to 1974 the Commission for the New Towns sold 2,300 properties and the Council 70 properties. They were all houses, mainly 3 bedrooms and 'pepper-potted' fairly evenly throughout the town but no houses have been sold on the Broadfield and Bewbush neighbourhoods because these are the more recent neighbourhoods to be

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[Continued]

developed and the policy of sales ceased before their construction. The bulk of the houses sold were built in the ten years between 1950 and 1960 and comprised in the main, traditional three bedroomed terraced housing but a proportion were semi-detached houses all with gardens, situated in residential neighbourhoods. Following these sales there is little change in the characteristics of the public housing sector stock except perhaps that there is less uniformity in the visual scene because the owner stamps his identity on his house by painting it different colours or altering its appearance in other ways. The sale of houses only also affects the balance of the housing stock in that the percentage of flats related to the total stock becomes greater.

(xv) *What evidence do you have on the extent and timing of resales of former council dwellings?*

Based on the experience of Commission sales in Crawley the incidence of resales was very limited during the 5 years following the individual sales mainly, one supposes, because the owner had to pay back the discount, or a proportion of it, if he sold during this period. Now that the 5 year period has expired in all cases there appears to be a number of ex-Commission for New Town houses regularly being advertised for sale by agents through the local papers which probably represents an annual turnover on the 2,300 sold of about 30.

(xvi) *When former council properties are re-sold what role do they play in the market?*

For a town the size of Crawley the number of properties available for sale at any one time is limited. This is largely due to the large number of houses owned by the local authority.

*Do they form a low price stock of houses? Who buys them? What effect would you expect in future?*

A policy of sales will increase the numbers becoming available and extend the range but these would not form a low price stock of houses because they compare very favourably with what many of the speculative builders are building in and around the town.

(xvii) *Is there any evidence of households not moving out of the Council Sector in order to buy because of the prospect of buying as a sitting tenant? Is there a loss of casual vacancies because of this?*

There is no evidence that tenants are sitting tight to take advantage of the "right to buy" rather than purchase in the private sector but the anticipated number of relets last year was some 50 fewer than anticipated (based on previous years) and it is possible that this could have been the reason.

#### BACKGROUND MATERIAL

(i) *What is the present size of the dwelling stock in your area and its tenure composition? How have these changed over the last 20 years?*

The stock of dwellings owned by the Council is 14,869. The bulk of these dwellings were built in the years between 1950 and 1960 when the New Town was being built. In the last 20 years there has been a running down of the building programme but since 1974 the programme has been re-activated to deal with a continuing and increasing demand for rented housing.

(ii) *What estimates are available of future housing demand and supply by tenure in your area?*

It is not possible to give estimates of future housing demand by tenure but the projections of supply are as follows (figures from HIP submission).

	Stock at 1/4/1979	New dwelling stock provided between 79 & 84	Stock at 1/4/1984
Local authority .. .. .	14,869	1,875	16,744
Housing association .. .. .	449	604	1,053
Other public sector .. .. .	316	150	466
Private .. .. .	11,935	1,604	13,512
<b>TOTALS .. .. .</b>	<b>27,569</b>	<b>4,233</b>	<b>31,775</b>

(iii) *Is it your current policy to sell council houses? If so, please give full details of your current sales policy.*

No.

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COUNCILLOR A E PEGLER, OBE  
MR K J L NEWELL, MR A C PEARCE  
and MR F SHEPHERD

[Continued]

## Examination of witnesses

COUNCILLOR A E PEGLER OBE, Leader of the Council; MR K J L NEWELL, Chief Executive; MR A C PEARCE, Borough Treasurer; and MR F SHEPHERD, Chief Housing and Estates Officer, of the Crawley Borough Council, called in and examined.

## Chairman

785. Good afternoon. I believe that most of you were present during the evidence being given to us by Thamesdown Borough Council. May I first of all thank you for the trouble you have taken in preparing your written evidence, and for coming to give evidence to us.

(*Cllr Pegler.*) Thank you, Chairman. May I say that we take it our role this afternoon is to answer questions. We will try and be as brief as possible, but if we are too brief maybe you will indicate and we shall amplify our answers. Perhaps I could start by giving you some background to the town of Crawley. Crawley is situated between London and Brighton. It was designated a New Town in the immediate post-war years. It was developed mainly by a development corporation and subsequently the Commission for New Towns from 1962. The Urban District Council acquired all the rented properties some 2 years ago. We are a compact urban area without the rural problems that you have been discussing earlier.

786. Thank you very much. You do have considerably below the national average level of owner occupation. Have you adopted any policies specifically to encourage owner occupation or a mix of tenures in the area?

(*Cllr Pegler.*) The encouragement has been to sell land to private developers, and that is the only encouragement we have offered. We have made land available to private developers, to increase the private owner-occupier sector.

(*Mr Newell.*) We have only been in a position to do that in the last 2 or 3 years since we have acquired the available, developable land from the Commission for New Towns.

## Mr Miscampbell

787. Have they taken up your offer?

(*Mr Newell.*) Yes.

788. There has been no trouble?

(*Mr Newell.*) No trouble.

## Mr Thornton

789. Is there a high demand for the properties that are being built on this land?

(*Cllr Pegler.*) Yes, there is. We have Gatwick Airport within our area. There is a great demand for labour of all types at Gatwick Airport and most of the private-sector housing has been taken up by workers at Gatwick.

## Dr Mawhinney

790. In view of the relatively small number of houses you have to sell in the area, bearing in mind the large number of sales by the Commission for New Towns when they were responsible, what is the basis for your statement that there will be very few tenants able to buy, particularly given the fact that there will be high discounts available?

(*Cllr Pegler.*) That is a financial question which Mr Pearce ought to deal with. I think the answer is that it is a question of ability to buy rather than desire.

(*Mr Pearce.*) The point we make in one of our answers about what do we think the average discount price would be, which as far as we are concerned means for the three-bedroomed house which is typical of our stock — two-thirds of our stock is three-bedroomed houses — the market value of those will be about £24,000. We have a fair amount of evidence to prove that, simply by looking at the estate agents windows. The Commission houses which have been referred to which are now up for resale are selling at that level. The point we are making is that if we assume a discount of something like 40 per cent., which is a rough average, then the house will sell on that basis for £14,000. Our point then is that though we are in the South East and it is a fairly rich area, looking at the way the building societies treat new intending purchasers (I am given to believe that they take 2½ times the man's earnings at present and half of the woman's earnings) and taking the figures we have given in our answer to one of your questions, we consider that there are going to be a lot of people who cannot afford the £14,000 mortgage required. Possibly the figures we have given you are on the low side, the £90 we quote here and £20 for the wife, but we are talking about the average. If one were talking about £110 for the principal earner and something like £30 for the wife

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[Continued]

[Dr Mawhinney Contd.]

doing 20-odd hours a week, they will fall slightly short of the £14,000 purchase price. That is why we think probably there will not be very much of a take.

791. But in fact you take no account of what people may have saved and you take no account of the motivation to avail themselves of the opportunity to buy at what is a very attractive price relative to the others, which motivation has been one of the strongest threads running through all the evidence that this Committee has had. Would we be entitled to assume from that that your thinking is at least a little bit coloured by the fact that you do not agree with selling in the first place?

(*Cllr Pegler.*) I do not think so. We had the Cullingworth Report some years ago and the indication was that 60 per cent of the people in Crawley would like to buy their own house when it comes up for sale and less than 25 per cent are able to do so. One of the component factors in the last take-up was the very great number of people in Crawley who left owner-occupation in London for an opportunity to go to Crawley and they resumed owner-occupation when the opportunity came. Those numbers have now been accommodated.

Mr Miscampbell

792. Certainly the figures we are now getting would be more realistic than a number of the Committee felt when they looked at your evidence, £90 and £20 for the wife, and you freely acknowledge that level. Bearing in mind that one of the main employers, and no doubt the wage trend-setters, is Gatwick Airport, I would have thought that was extremely important, but if you take your new figures of, say, £110 and £30, having a combined figure of up to £140, which might be the average and there may be a substantial proportion above that figure, certainly it looks as if Crawley is no different from anywhere else and now may be more in the forefront of those who are able to buy?

(*Mr Newell.*) I do not think we go along with that supposition. First, let us talk about wage levels, which is the point we started from. Yes, earnings are quite high at Gatwick. I think that is true. Earnings at Manor Royal can be above £90. What we are talking about in Crawley is primarily an artisan-type industrial town with most people on the shop-floor, skilled and semi-skilled operatives earning a little over £2-£2.20 or £2.30 an hour or something like that

—which brings you to your £90 for the basic week. Yes, we acknowledge there may be an opportunity for people to earn overtime, but that is one of the variable things and there is a limit on how much overtime you should take into account when you are allowing somebody to put themselves into a permanent commitment. Let us look at the actual figures. We have talked about what the dwelling would be. I would agree with you. If you take a large proportion of the earnings into account and overtime, I have no doubt they could get an assessment whereby a mortgage might be available to them, assuming it is available on supply. Let us look at what it means to the individual. If a man is currently living in a council house, the usual run of Crawley houses and living there with a rent of the order of £8 or £9 a week, £450 a year or thereabouts, and if you contemplate what a £14,000 mortgage means to the individual and the family, you are talking of mortgage repayments in the order of about £2,100 a year before tax. Take the tax off and you still have to pay £1,400. In other words, you are saying to the man: "Out of your pocket you need another £20 a week". That is why we say we do not think the level of take-up will be as great as perhaps you would suggest.

Dr Mawhinney

793. I am not clear in my own mind what relevance this argument has to the Council because it seems to me that the issue is whether, in the Council's view, it is a good thing or a bad thing, and all you are saying is: "We do not think there is going to be much of a take-up". The proof of the pudding will be in the eating and you may be right, you may be wrong, but the level of take-up does not seem to me to be a significant factor as far as the Council's thinking is concerned. If it is a small take-up then the housing arrangements in Crawley will be little disturbed and the Bill will have little effect. If it is a big take-up then it will be because there is a greater demand there than you anticipate. In either case what is the relevance of the potential take-up as far as you are concerned? What effect does that have or what influence does that have on the thinking of the Council as to the merits or otherwise of the Housing Bill?

(*Cllr Pegler.*) None at all. We were formed as a Council in 1956 and for 23 of those years we have been controlled by one

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and MR F SHEPHERD

[Continued]

[Dr Mawhinney Contd.]

party and it has been the party's platform year in and year out that they were not against selling council houses but would not do so until the need for rented accommodation had been satisfied. We have not reached that situation. That is the Council's thinking on the matter and whether there is a large take-up or a small take-up does not affect that principle.

Mr Winnick

794. Going back to what has happened previously when properties were sold by the Commission, say the situation did arise when people were encouraged to buy — there is going to be an advertising campaign in the summer and people may take it into their heads that they can afford to buy, or perhaps they cannot; we will have to see what the circumstances are — what effect would that have on the Council's properties if there were a large take-up by council tenants wishing to buy their property?

(*Cllr Pegler.*) I will ask Mr Shepherd, as Chief Estates Officer, but you can see from our report that the previous experience was a 1 per cent loss in relets, and also the more desirable properties were sold; therefore, the opportunity for people to transfer to those properties were restricted or denied, but Mr Shepherd will come in on that.

(*Mr Shepherd.*) Cllr Pegler has answered the question largely perhaps. In our view, there will be a loss of relets, which we are able to establish in a sense. We base it on what happened when the Commission owned the bulk of the property in the town. Over that time we would reckon that there was a loss of 1 per cent. This is based on the fact that during the years that the Commission sold, the number of relets that the Commission got back to allocate was 2 per cent. of the stock. During the years that there were not sales, the number of relets that the Commission got was 3 per cent., making a 1 per cent. loss. So this is a serious factor, we think. As Cllr Pegler has also said, with a reduced stock it reduces the opportunity for tenants to transfer, and this is a plank of the Council's policy in Crawley. There is a fairly liberal transfer arrangement, because the Council believes that its tenants should be able to be placed in accommodation which is suitable for their needs. Therefore, unlike some councils, there is a transfer policy which is fairly generous. In point of fact, at the moment, with a stock of 15,000 houses, we are able to transfer about 30 tenants a month, which

is, as I say, part of the Council's policy. We believe it is a realistic policy, and a policy which makes for a contented town and contented tenants.

Chairman

795. You say that the loss of relets will be 1 per cent., but a reduction of relets from 3 per cent. of the stock to 2 per cent. of the stock is a one-third reduction, is it not?

(*Mr Newell.*) One-third of the relets. It is a percentage of the stock.

796. One-third of the relets you would otherwise have available?

(*Mr Newell.*) Yes.

Mr Winnick

797. Perhaps this is more a matter for the Treasurer, I do not know. Have you worked out how many dwellings would have to be sold in order to build a fresh one? If it is argued — as you seem to be saying — that if there is a large take-up it will mean serious loss of relets, then I suppose again the reply from the Government would be to build if you need to do so. Therefore, what are the figures for this?

(*Cllr Pegler.*) I shall ask the Treasurer to give you better figures, but the layman's answer is that it is 2 for 1. It is costing us £20,000 now to build a house, without land costs, without infrastructure. If we sell, on average, at £14,000 we believe now that we are taking costs, for a 3-bedroomed house in our neighbourhood, of something like £27,000.

(*Mr Pearce.*) £14,000 is what we think we will sell it for roughly. Certainly the last tender we had was £20,000 for building alone, £1,500 to £2,000 for site development and infrastructure, and £4,000 for the land. That is the sort of level. Although admittedly we have got some of the land and part of the land is already there, nevertheless the building costs £21,000, £22,000 or £23,000 as against £14,000 which we will recoup from sales, on average.

Mr Miscampbell

798. Your figures are the most optimistic figures we have heard at 2 to 1, but if they are right they will go a long way to making up the relet situation, if you devote the cash arising from sales — which you are not bound to do — to the provision of further housing, will they not?

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[Continued

[Mr Miscampbell Contd.]

(Cllr Pegler.) That is a very difficult question. That is if the cash is available. The cash will not be available in that way. As we have heard before — and I think it is true in Crawley — most of these people will be looking to the Council for a mortgage, if this is possible.

(Mr Pearce.) This is the point that concerns me. There seems to be a general feeling — though I am sure you understand the situation — that the money will be there in your palm. I appreciate that the Committee does not perhaps believe that, but that is the general feeling. I think that most of the tenants will take up from the Council's own money, the money will come in over the years, and therefore obviously it will not be available for the 2 for 1 that we are talking about.

Mr Winnick

799. As far as the type of property that is likely to be brought is concerned, one of the witnesses — perhaps it was Cllr Pegler — said it was the more attractive properties. Do you have any hard evidence that this is so, arising from what happened in the past?

(Cllr Pegler.) Yes.

(Mr Newell.) On the previous occasion, when the Commission was selling houses, it was pretty obvious that the end-terrace houses, the corner houses, the houses with a plot with access to the road for garage development, were the ones that went first; these were the ones that people were more willing to buy than the middle-terrace or mid-estate houses. However, I would not over-emphasise the point, because I think that, generally speaking, the housing stock in Crawley is fairly good. We must pay tribute to the Commission and to ourselves, who have built over the years to a fairly good standard. I do not think there will be a great deal of sales resistance for a time.

Mr Thornton

800. Could I explore a point which you touched on earlier, which seemed to me to show that there were some inconsistencies in what was said? Is Crawley so very different from everywhere else in the South-East? You are saying that the working population in Crawley is largely artisan, skilled, semi-skilled people with wage levels of the sort you have indicated, yet on the other hand you are saying that the price of houses in the area is particularly high. It would seem to me that the one does not necessarily tie in with the other, because

if you have got a very large artisan population with fairly low levels of income, the demand for houses will be reflected by those people who actually live there, and not by some notional figure plucked out of the air. Therefore, it does seem to be slightly inconsistent, does it not?

(Cllr Pegler.) I understand and accept the point that is being made. However, the demand is not perhaps generated from inside Crawley; the demand is generated from people wanting to come into Crawley because of the job opportunities there, and particularly because of the airport. That is where the demand comes from. We have not done a survey of people travelling out of Crawley, but it is an ideal commuter town. As perhaps Mr Johnson-Smith knows, it is ideal for commuters, being situated on the main London/Brighton railway. Therefore, the demand is from those people who want to move in, either because of the situation of Crawley in relation to the coast, or because of the opportunities within the town. There is certainly a lot of owner occupation generated for a desire in the private sector from within our housing stock.

801. Therefore, it is the outside demand for the opportunity to purchase in Crawley, which is causing the value of council houses to chase after the private sector?

(Cllr Pegler.) Yes.

(Mr Newell.) I do not think you have had the statistics yet, but the population of Crawley, as an urban area, numbers over 75,000, something of that order. In order to give you the figures, we were calculating on the way up that the job opportunities in the town are of the order of 60,000. I think Mr Shepherd has got the breakdown of that.

(Mr Shepherd.) In manufacturing industry there are 23,000 jobs (this is mainly on the Crawley industrial estate). Under the heading of service industries there are 14,300 at Gatwick Airport; the town centre and shops number 8,000; elsewhere in the town service industries account for 18,700 (that is, local government, banks, offices and also services on the industrial estate). As regards primary (that is, farming and so on), it is a pittance of 200. That makes a total of 64,200. Those were the figures in 1979.

(Mr Newell.) So you can see that there is a tremendous job attraction to the area, which, against the population, basically

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[Mr Thornton Contd.]

gives some explanation, I think, for the apparent contradictions that you mentioned.

802. What about the sort of prices in the private sector?

(Mr Newell.) They are comparable. The normal 3-bedroomed, post-war, Taylor Woodrow type semi-detached house is selling in Crawley for £23,000, £24,000, £25,000, £26,000, perhaps more. The better of the Commission houses that were sold in the early 1970s are now changing hands free of any payment (in other words, completely on the market) and are fetching similar prices: mid-terrace houses £24,000 or £25,000, end-terrace houses £25,000 or £26,000. It is in that sort of region, because people are prepared to come and buy the house to go to work at the airport, or in Crawley industry, or, for that matter, for the easy commuting up to town, but primarily for the attraction of the job in the area.

803. The conclusion from this basically is that, if you might call it, the indigenous population of Crawley, the people who have been there for some time, are out of kilter for the demand that is coming in from outside because of the growth in the area. Is that right?

(Mr Newell.) I think that is so.

Mr Johnson-Smith

804. That is the position. Indeed, there is a great attraction in that area and in other parts of Sussex, for the reasons we have just heard. I do not want to continue the argument really, but just for the record I would say that I am surprised that our witnesses here take the view that there is such a small demand amongst the indigenous population, because increasingly a proportion of the artisan groups they have described, who originally came to follow up the industry which had set up so successfully in Crawley, is now switching towards the more highly-paid jobs that are going at Gatwick.

I would have thought that increasingly the artisans who occupy the property in Crawley New Town will find it increasingly attractive to purchase property which is sold at such a discount in such a prosperous area?

(Cllr Pegler.) I think we must make the point again, because it is obviously a point that concerns Mr Johnson-Smith, that the earnings at Gatwick Airport are based on

extensive hours being worked and that really is not a base for people to enter into a commitment such as the purchase of a house. It is a temporary situation and, indeed, the biggest money is earned by people on seasonal work.

Chairman

805. I do not think the Committee really wants to pursue for much longer the question of whether people will buy. We want to get the effect on the Council's thinking. To what extent is Crawley still providing houses for key workers and how many do you manage to house annually under that scheme?

(Cllr Pegler.) We have been providing 125 a year but have slightly reduced that this year.

(Mr Shepherd.) Under the New Towns Act, as you know, Chairman, the Commission for the New Towns had nomination rights for five years. We did not think it was very sensible that the Commission used those nomination rights because in order to do so they would have to have kept a housing presence, whereas in point of fact all they had to do was to look after industry and town centre shops, say, and come to an arrangement on them. We said we would provide 100 a year for five years to key workers because this was the average they had provided over the previous three years. We did this in the first year and, indeed, added to it an extra 25 because of Gatwick Airport. The Commission had not been able to look after their housing needs, so for the first year 125 houses went to key workers. In the second year the Council decided to "up" this figure to 200 because at that time our building programme was going fairly strongly, there was no problem with HIPs money and so forth. In the third year, which started in April just gone, we had to reduce that 200 back to 100 because of the cuts in the HIPs money and the fact that our building programme is slowing down, much against our will. So, that is the situation. For another two years after this one we have to provide 100 to keep up our obligation under the New Towns Act for key workers.

806. To what extent do you make provision for London households through nomination rights?

(Mr Newell.) There is nothing as far as Crawley is concerned, if you are thinking of the general new town situation, that



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no longer applies. We are no longer a new town in terms of taking overspill, but we did have a somewhat special arrangement that we made some five or six years ago whereby we had a substantial land purchase. We were not able to consume land at the rate we would have liked to do because of limitations on our own resources but what we did, by arrangement with Lambeth and Wandsworth Borough Councils, was to agree to build for them some 690 houses over a period of three or four years. Quite frankly, we built them as a local authority but we gave them the nomination rights in return for which they made what would otherwise have been the rate fund contribution to the housing account. In other words, we virtually built for them. After a nominal period they will eventually revert back to become Crawley houses and the people are, of course, our tenants from the beginning, so there is that special arrangement and that commitment to London.

807. How satisfactorily are you coping with second-generation residents? To what extent do the children of new town residents have a satisfactory prospect of getting housed?

(Mr Newell.) This is where most of our demand comes from. It indicates the Council's policy on housing and why the Council has continued to build to such an extent. As the Chairman has indicated, you must get Crawley into perspective. We were created artificially. The people who came 20 years ago were in their twenties and thirties, who were just beginning their families, and if you move the clock forward 20 or 25 years to today, you will find those people are still living in the same houses in their fifties. The population has moved forward and their children who have come behind are now the second generation. They are demanding homes while mum and dad are still in the houses that were provided by the New Towns Commission and the Council. Therefore, we feel it is essential that we must house those you have referred to as the second-generation, new town people, because if we do not, in another ten or twelve years' time, when mum and dad start to retire, the needs of Crawley industry and the great demand for jobs that we have been talking about will be even more poorly served, because if we do not house the second generation they will start to look elsewhere for accommodation and then, of course, there will be the problem of main-

taining the principal Crawley industry and Gatwick Airport, where there is very substantial national investment and a very successful export industry base.

(Cllr Pegler.) We have been very successful. We have had a temporary setback in the last two or three months, which we hope will be remedied in the coming year. Under the old allowances we were doing fairly well and would have been happy to continue our programme, but we have taken a bit of a blow this year over the 25 per cent. reduction, which will have an effect on the waiting list for the next three or four years.

808. Could you clarify what you mean by "25 per cent. reduction"?

(Cllr Pegler.) In our HIPs allocation.

809. What effect do you think that is going to have on the waiting list?

(Cllr Pegler.) It does mean after the early spring of next year we will have no new houses under construction. It is as simple as that.

Mr Winnick

810. What are the actual figures? What did you ask for and what did you receive?

(Cllr Pegler.) We asked for £11 million and we got —

(Mr Pearce.) We asked for £10 million and we got £6.7 million. I am talking about the current financial year, 1980/81.

Mr Squire

811. What was your spending in the previous year?

(Mr Pearce.) About £8 million.

812. So, the allocation was, in fact —

(Mr Pearce.) Seventy-five per cent. of the previous year. We had the maximum.

Mr Miscampbell

813. Are you saying that 75 per cent. will do no more than service the present houses and will not allow you to build any new?

(Mr Newell.) We will be able to do two things: firstly, to service our on-going contractual commitments, which are properties under construction. Most of those will finish within the next twelve months, but it is still a very substantial spend on that £4.7 million is our commitment. We have our commitment, as has been mentioned, to the London Boroughs and we have to honour that. That is a contract for 100-

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[Continued]

[Mr Squire Contd.]

and-odd dwellings, and that means for ourselves, having taken into account our commitments and the spend on that contract, we are only going to be able to let this year one contract, and in discussions with the Department they have indicated to us that we are not likely to get a loan sanction for a contract for more than 150 houses. That means from having completions, as we did then, as you will see from the figures, averaging 500, although we topped 700 on the better years, it looks as if in a couple of years' time we will fall down on completions in the order of 150, which is a very substantial drop, and that means lengthening the waiting list for the newly-weds.

Dr Mawhinney

814. Unless you have enough coming in from sales to supplement it?

(Mr Newell.) We have cycled that course once before and we doubt that we will have very much cash in hand to add to our HIPs allowance. If you are right and we get some purchases through the building societies, we will have money to build. We do not think that money is going to come in in that way. We think the vast majority will come to us for loans, but if you are right and we sell a lot, we still think the money will come in over the period of the loan and we will have a very small amount of money available to add to our HIPs allocation.

Chairman

815. To what extent in the past have you underspent your allocation?

(Mr Newell.) We have underspent our allocation, but I do not know by what amount. We have the figures and we can let you know. We have certainly underspent. Primarily the reasons for underspending have been twofold: firstly, with the amount of building which is going on and the development which is going on in the town, there is a high demand for building labour and they have the alternative, more attractive jobs, such as carrying bags at the airport, there is an acute shortage of building trade labour in all the skilled trades. Secondly in the winter period you get inclement weather and that sort of thing which we are all subject to and you get a fall back in completions by the contractors. It is not uncommon for us to have a two-year contract and a slippage of 20 to 26 weeks is not unusual.

(Cllr Pegler.) But notification of the housing investment programme makes an appreciable difference as to whether you can complete the programme. If you get late notification you cannot let the contract before the DoE gives you that sanction.

Mr Miscampbell

816. How much building land is now left within your control?

(Mr Newell.) You have heard from Swindon, and we are in a similar situation. We have an application before the Local Government Boundaries Commission for an adjustment of our boundaries to bring within our ambit the land on which we are already building which is in the adjoining areas of Horsham and Mid-Sussex. We are building bigish urban developments in each of them. Because of the forethought of the previous council, when the County Council made a short-term land release 400 acres to meet this second-generation housing programme we undertook purchase of them, we have a substantial land bank of some 400 acres.

In assisting the London boroughs in selling to the private sector, we have disposed of 100 of those 400 acres. We have developed about half of the 300 acres; 150 acres are currently being developed, or have been developed, by ourselves. So on our Bewbush estate we have probably got something like 150 acres still left to develop for our ongoing programme, to meet the needs of second generation. However, it is outside Crawley, and we are seeking to get it brought in. Also, in the transfer from the Commission for New Towns we have about another 50 to 60 acres uncommitted, which is available and scheduled for development. It is the Council's policy to release this for developing in the private sector, to take up the demand as it comes along. We released some 2 or 3 years ago, some last year, and I have no doubt there will be some more next year.

(Cllr Pegler.) The total allocated land will be sufficient for another 5,650 units.

Chairman

817. Has your waiting list been rising in recent years?

(Mr Newell.) Yes.

818. Could you give us the details?

(Mr Shepherd.) The waiting list as at 1 April 1980 is 1,941. We have just carried out an exercise in projecting what we con-

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[Chairman Contd.]

sidered to be the demand, having regard to the supply of houses. We have come up with the figure that on 1 April 1984 we shall have a waiting list of 2,857. As far as time is concerned, a second-generation applicant going onto the waiting list now, we would expect, will have 2½ years to wait. Of course, with an increasing waiting list this position will get worse in the years to come.

Mr Johnson-Smith

819. How big a proportion of the waiting list are second-generation applicants, and how many would you say are from outside, attracted by the employment prospects?

(Mr Shepherd.) The second generation people are coming onto our waiting list at the rate of about 30 a month, 360 a year.

(Mr Newell.) Over half of our waiting list people are second generation, then we have got a section of key workers and one or two elderly, and the others are people who are coming into the area seeking employment and trying to get on our list (in other words, on the general needs list) to come to work in the area.

Mr Winnick

820. Mr Shepherd gave us the figures on the waiting list that are likely in 1984. Do they take into account the number of people who are likely to be buying their own dwellings under the Act, and also the effect of the HIP allocation?

(Mr Shepherd.) It takes into account the HIPs allocation, as far as we can predict what that might be. It does not take into account the number of people who might buy houses.

821. On what basis have you worked your figures? How many have you estimated are likely to buy in the end?

(Mr Shepherd.) We have not taken that into account in this.

(Mr Newell.) We do not see that it will make a great deal of difference to the waiting list as such; the people are already in the houses, and if they buy the house they will still be in the house, it will not become a house that we will be able to let.

Chairman

822. To what extent do you think that the houses that would be bought would be ones that might otherwise become available for letting?

(Mr Newell.) You have got the figures in our answers, of what relets we have on the year-on-year. We are showing you of the order of 300 to 400 houses — say, 400 a year. We have shown you also, from the 2 years that the Commission was selling houses, that there was a reduction of about 1 per cent. on the total stock, so we are expecting to lose about 150 relets a year as a result of the sales, based on the experience of the previous occasion. It is no better than that, except that that is what happened last time, that is historic.

Mr Squire

823. You said that we have details of relets, did you not?

(Mr Newell.) We did send you a correction.

824. We have a total for house completions and relets, at B (iii).

(Mr Newell.) If you like, we could divide them.

825. Could you supply that to us? Perhaps you could give us the split?

(Mr Newell.) Yes, if you would like to take the original figures that were printed. I think Mr Shepherd can help on this.

(Mr Shepherd.) I have got them divided. In 1974 we had 333 new houses and 234 relets; in 1975 446 new houses and 330 relets; in 1976 601 new houses and 350 relets; in 1977 741 new houses and 449 relets; in 1978 615 new houses and 450 relets; in 1979 276 new houses and 380 relets.

Chairman

826. I do not know if there is anything you would like to say to us, apart from response to specific questions, about what you feel the impact of the Housing Bill will be on your capacity to deal with the problems of your area?

(Cllr Pegler.) We think firstly, as experience has taught us in the past, that it will make less relets available to the Council for re-allocation, because it will have a tremendous effect upon the availability for not only local needs like newly-weds and general needs, but also for key workers and people on the homeless persons list, which takes over 1,000 houses a year in Crawley. That being so, one has to look at the politics of whether or not we do assist national assets (that is, the industrial estate and Gatwick Airport). So we have

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[Continued]

[Chairman Contd.]

perhaps got to be more restrictive. If supply is restricted, then we have to be more restrictive on our allocations. Crawley, after all, is a baby that was born under a Government based at Westminster, and it has really had false growth since 1948, it really is not an ordinary area that you can deal with in this way. It must be left to the local pressures and the people who know the town and the way the pressures develop, to administer and guide whether it be a housing policy or any other policy. Therefore, we think that the effects of the sales are such that they may be small, as we said previously (and we do not want to contradict what we said), but however small they will be there is going to be a loss in the available relets. One other thing, if I may, is that, from our experience before, it does create considerable differences between neighbour and neighbour. Where somebody has brought in the past and gone in for added structures to their property — car hard-standings or garages — this has led to a considerable dispute between neighbour and neighbour. It means, of course, that, with the "pepperpotting" of sales, maintenance becomes more difficult, and estates do deteriorate to a very great extent.

Dr Mawhinney

827. Are you claiming that there is something inherent about New Town developments, which makes them less susceptible to the provisions of this Bill than perhaps other local authority areas?

(Cllr Pegler.) Yes. As I say, I do believe that it is not a normal situation. New Towns have not got to a normalising sort of period yet; they are still being force-fed, if you like. Because of pressures on the areas, you cannot treat a New Town as you would, say, a London borough, because the age structure is different.

(Mr Newell.) It is all to do with the age structure of the population, as I said at the beginning. Most of our tenants are in their 40s and 50s. On the figures we have talked about, many of them may well think, despite the encouragement to owner occupation, that perhaps they have missed the boat, perhaps they should have done it when they could have bought a house for £4,000 in 1970, instead of buying for £14,000

with all the costs that are involved. We think that we in Crawley will perhaps not show a normal reaction, because we have not got a normal profile of population structure, we have got huge bulges.

828. Having seen the interesting buying and sales record in Basildon, which is not dissimilar from Crawley, and having seen the considerable interest in buying in my own constituency, which is a later New Town, the Chairman I know will forgive me if I do not share his view for one second as to the claim that there is something inherent about New Towns which makes them less susceptible. I think most of the evidence would tend to suggest that New Towns were perhaps more susceptible rather than less?

(Cllr Pegler.) You may be right. That indicates a difference between those for the Bill and those against it.

(Dr Mawhinney.) Exactly. I did not want to be so blunt as to make that point but I am glad you did because I think that is at the heart of the issue, that there is a philosophical framework established within which people operate and one of the difficulties we have had — and you heard me, because I saw you sitting there, asking the previous witnesses — as a Committee has been to establish a framework and look at the evidence within the framework that was being presented to us. I think this point you make is exactly at the heart of the matter that this Committee is trying to investigate.

(Mr Winnick.) The Council have their problems and we as a Committee will have to deliberate in due course and reach our decision on the evidence presented and our views regarding the Housing Bill, but we cannot do that at this moment in time.

Chairman

829. Thank you very much. I would like to thank you for coming and giving us your evidence, and we hope that we may send you further written questions to clarify points that either arise from what you have said or which we have not thought of in the course of questioning you today.

(Cllr Pegler.) We are more than delighted to help if we can — jaundiced or otherwise!

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THURSDAY 19 JUNE 1980

## Members present:

Mr Bruce Douglas-Mann, in the Chair

Mr Frank Dobson

Mr Nicholas Scott

Mr Geoffrey Johnson-Smith

Mr John Sever

Dr Brian Mawhinney

Mr David Winnick

## Memorandum submitted by the Greater London Council

## Sale of Council Houses

*Questionnaire from Environment Committee — Answers by the Greater London Council*  
*A. Financial Aspects*

- (i) What evidence is available of the likely extent of sales if a statutory right to buy is enacted? If your view is based on an analysis of tenants' incomes, ages and other characteristics please provide details.

The Council has led a determined drive to encourage home ownership amongst its tenants since May 1977. As a result nearly 9,000 sales have been completed with a further 9,600 sales in the pipeline. In addition there is a steady flow of new applications each week. At present sales have not been aimed at sitting tenants in flats, except where an entire block of flats either new or refurbished has been available with vacant possession. Details of tenants' incomes, ages etc, would not be available without a great deal of research.

- (ii) What overall financial gain or loss is anticipated to result from sales at the discounts provided for in the Housing Bill?

It is very difficult to forecast results for the future because of the high level of sales of houses already achieved. Below is a financial analysis of the 7,000 sales completed by 28 September 1979 under the Council's present sales programme, the majority of which would have been at the general consent level of 30 per cent discount. Since July 1979 the Council has however offered discounts of up to 50 per cent. The Council would not, therefore, expect any greater or lesser financial loss as a result from sales at the discounts provided for in the Housing Bill. The overall position of sales proceeds against historic cost and sales expenses is shown in Section 1. The annual impact on the Council's revenue account is given in Section 2.

In line with its policy to increase home ownership amongst its tenants, the Council has given all possible encouragement to those wishing to buy properties.

*Section 1. PROCEEDS OF SALES TO 28.9.79*

Sales	Number of dwellings	Cost £m	Proceeds £m	Surplus/(Deficit) £m
To sitting tenants	5,700	17	51	34
Vacant Dwellings				
New Built	900	19.5	16.5	(3)
Other vacant	400	1.5	4.0	2.5
	<u>7,000</u>	<u>38.0</u>	<u>71.5</u>	<u>33.5</u>

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[Continued]

## Notes:—

- (a) "Cost" includes historic construction costs, interest during construction and during sales period, and sales and security costs as appropriate. In the absence in past accounts of detailed unit costs of construction, some figures are necessarily approximate.
- (b) Proceeds are net of any allowable discount — approximately 26 per cent. of market value on the average sitting tenant sale, and some 20 per cent. on older vacant properties.
- (c) Financing — Over 90 per cent. of sitting tenant sales were financed by Council mortgages under S104 Housing Act 1957; the remainder and most of the vacant sales were financed by building society mortgages and purchasers' own funds.
- (d) Capital receipts, approximately £22m have been applied to reduce housing debt.

## Section 2. IMMEDIATE IMPACT OF SALES IN ANNUAL REVENUE TERMS

	£m	£m	£m
(i) <i>Reduction in debt charges</i>			
a. Gross saving in loan charges from capital receipts	+2.3		
b. S104 mortgage payments	+5.5		
		+7.8	
(ii) <i>Management and Maintenance no longer incurred</i>		+2.3	
			+10.1
LESS			
(iii) <i>Income reductions</i>			
Rent no longer receivable	—3.9		
Government subsidy	—2.0		
			—5.9
			+4.2
(iv) <i>Current annual cost of sales organisation</i>			—2.0
Net surplus on sale, compared with rent			£ +2.2m

- (iii) What differences are anticipated in the financial effects of sales of dwellings of different ages and types?

From the local authority's point of view the older the house the higher the surplus is generally true. There has been no experience yet of selling flats to sitting tenants. The most attractive to purchasers and producing the greatest surplus are estate houses built between the wars or shortly after the Second World War. As a general rule, discounts would not be available on properties built in the last few years as the cost of construction would be equal to or exceed the valuation.

- (iv) Are any indirect financial effects expected to result from sales (e.g. increased or reduced need for area improvement policies)?

No significant indirect financial effects of the type mentioned are expected, but see also answers A (xii), A (xiii), B (ix).

- (v) What evidence is available on the reduction in management and maintenance costs due to sales?

The Council's management and maintenance costs are comprised broadly of:—

- (i) the actual cost of managing and maintaining the individual properties (at present the average cost per dwelling for management and maintenance is £300);
- (ii) overheads.

Where a house is sold, (i) is saved but the effect on (ii) is variable. Where a whole estate or section of an estate is sold, a reduction in overheads is made but where there are fragmented sales this can lead to an increase in management and maintenance costs (e.g.

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[Continued]

additional work as a result of the increased number of common boundaries). Since it is the better quality properties that are sold, their management and maintenance costs will tend to be lower than the average figure quoted above; no precise information is available on this however.

- (vi) What is the likely scale of the loss of re-lets due to sales, and when will this loss occur?

The Council has pursued a vigorous policy to sell houses to sitting tenants and with the opportunity to purchase their existing home at a discount, tenants who would have vacated and bought in the private sector have elected instead to buy their present home. This trend is evident from the re-let figures over the last two years.

1978 — 7,091

1979 — 6,433

- (vii) What is the extent of the anticipated need for replacement of dwellings sold, by building or purchase? (Please relate this, if possible, to the Housing Strategy Appraisal prepared for your HIP, or any other housing strategy statement prepared by your authority).

The Strategy Appraisal included in the Council's Housing Strategy and Investment Programme 1980-84 submitted last year\* showed that housing need in London is still widespread, particularly in the inner areas (Chapter 2, pages 16-17) and that there is expected to be a continuing demand for rented accommodation for certain groups of people (Chapter 3, page 30). However, it was also shown (Chapter 2, pages 24-26) that there is no longer a significant housing shortage in London except in isolated areas and although these estimates are now being revised as a result of recent trends and the reduced HIP allocations for 1980/81 announced on 21 February, new building to replace sold dwellings should not be necessary on the substantial scale hitherto felt necessary.

- (viii) What is the known or anticipated extent of sales of flats under leasehold arrangements? What gains or losses to the authority are known or anticipated in these cases? What difficulties are known or anticipated in the case of such sales?

At present it is not the Council's general policy to sell to sitting tenants in flats. Where all the flats in a block are available for occupation (either newly built or as a result of being modernised) it is the Council's practice to set up a management company to whom a head-lease is granted. Each lessee is required to participate in the management company and to contribute towards the expenditure the company incurs for caretaking, cleaning, heating and lighting of common parts, garden maintenance and repairs to the structure.

The setting up of management companies where one or two tenants in a block exercise their right to buy, will not be practicable and the continuing management of the whole block will remain with the Council. There will be problems of apportioning charges for external painting or for structural repairs for example, which may create some difficulties but they are not insuperable.

The important issue will be to establish a market for re-sale so that tenants who buy their flat do not find themselves "locked in".

- (ix) To what extent is it anticipated that the provisions of the Housing Bill for the 2-year options to purchase will be taken up? Is this expected to give rise to problems?

Since the Council has had no experience of this before it is obviously difficult to estimate what the demand would be. As it only requires a £100 deposit to preserve the "Right to Buy" at a frozen valuation, however, it is obviously an attractive option to tenants who are unable, or choose not, to proceed immediately. It is not expected to give rise to any great problems.

\*Not printed.

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[Continued]

- (x) What gains or losses are known, are anticipated to accrue  
 (a) To tenant purchasers;  
 (b) to tenants who do not purchase (i.e. through increased or reduced rents)?

(a) Tenant purchasers gain in mobility, achieve additional security and independence; are able to make more independent decisions about their lifestyle; and remove themselves from an essentially paternalistic and supportive housing field. House purchase is likely to be the biggest financial outlay of a person's life and the Council is therefore concerned to ensure that the tenant is properly advised on the matter.

(b) The complexities of working out the effects of sales on rent levels are such that nothing very useful has come out of the exercise. The impact on rent levels will be far greater as a result of other types of action, e.g. government subsidy changes and changes in local councils' policies towards rent levels in general.

- (xi) What evidence do you have of the difference between rents and initial net mortgage payments on dwellings likely to be sold?

A sample of actual cases illustrates the difference:—

	Current net rent per week	Initial mortgage repayment per week*
(a) Purchase price £14,500	£10.80	£25.96
Purchase price £7,250 (i.e. with 50 per cent. discount)	£10.80	£12.98
(b) Purchase price £15,000	£12.06	£26.86
Purchase price £7,500 (i.e. with 50 per cent. discount)	£12.06	£13.43
(c) Purchase price £20,000	£13.04	£35.81
Purchase price £10,000 (i.e. with 50 per cent. discount)	£13.04	£17.90
(d) Purchase price £20,500	£11.41	£36.70
Purchase price £10,250 (i.e. with 50 per cent. discount)	£11.41	£18.35

\*Calculated at option mortgage rate of 8 per cent (equivalent to present gross rate of 11½ per cent).

Note: These tables are not strictly comparable as owner occupiers must, of course, provide for the cost of maintenance and insurance.

- (xii) What effects do you expect on the market for owner occupied houses in your area?

In the short term very little effect on the market is anticipated because most of the advances are made by the Council under Section 104 of the Housing Act 1957. There will probably be some impact, however, when these houses come onto the market for resale, when they will probably be attractive to first time buyers who will need to compete with traditional borrowers for mortgage advances from building societies.

- (xiii) Can sales of council dwellings contribute in any way to the prosperity of the local economy, e.g. by relieving labour supply constraints?

It is unlikely that there will be any substantial effect on labour supply or any other aspects of the economy, since sales are on the whole to sitting tenants or to existing tenants offered properties elsewhere.

- (xiv) What proportions of households will qualify for mortgages and discounts and what are the implications for the numbers and patterns of sales?



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[Continued]

In the absence of detailed information on tenants' income and expenditure it is difficult to answer this question but we do know that at December 1979 approximately 37,800 tenants were in receipt of rent and rate rebates and 50,600 of supplementary benefit (i.e. needing financial support in order to pay their rent) out of a total stock of 230,000 properties. It is difficult to calculate in advance the effect of the proposals for joint purchase contained in the Bill.

#### *B. Social Aspects*

- (i) What properties do you expect will be sold under the new legislation? What impact do you expect sales to have on housing estates and especially unpopular and difficult to let estates?

It is anticipated that the current sales programmes will continue: to sitting tenants of houses and vacant possession sales of flats and houses. It is expected that flat sales will also result from the right to buy proposals. However, this last group will require considerable staff resources at senior level, to design and operate a satisfactory sales scheme. Evidence is available of benefits to older cottage estates. It can also be demonstrated that under the Council's instant lettings scheme, an influx of young people is likewise beneficial. If individual flats are sold with vacant possession in unpopular areas similar changes could result.

- (ii) What is the current demand for council housing in your area? How many households are on the waiting list and how representative is this of need?

The GLC does not have a waiting list but estimates of the demand for council housing including the size of the boroughs' waiting lists were given in the\* attached GLC Strategy Appraisal, Chapter 4.

- (iii) What is the trend in the availability of properties for letting?

The answer to this question is also covered in detail in Chapter 4 of the Strategy Appraisal.

- (iv) What effect do you expect the sale of council houses to have on demand for council housing and your ability to meet it? In particular, what impact do sales have on households on the waiting list and on the homeless? Are there particular consequences for special groups, viz, the elderly, disabled, handicapped, single parent families, low income households, ethnic minorities?

Because tenants in attractive properties wishing and able to buy, will buy the home in which they are living rather than moving to one in the private sector, the number of properties becoming available for re-letting will fall. (See also the answer to question (xvii)). The sale of council houses to sitting tenants will not immediately affect the demand for council accommodation but families will have to wait longer before they can be made an offer, because of the loss of a percentage of relets.

Information relevant to this question is also given in Chapter 4 of the Strategy Appraisal. Although the Council's sales programme may have some consequences for these groups mentioned it should be noted that the Council has a separate programme of seaside and country homes for retired tenants and has not sold any designed for disabled or handicapped people. Most of the dwellings will, in any case, be exempt from the right to buy provisions.

- (v) What effect do you expect the sale of council houses to have on those seeking transfers? If possible, please relate your answer to quantitative information on the size of the transfer list and the rate of transfer and to your transfer policies.

The number of tenants registered for transfer has increased over the past twelve months from 40,977 to 43,285 and the number of tenants accepting transfers has declined from 9,373 to 8,155 in 1979. The Council's policies for transferring tenants have not changed. Sales will inevitably, however, cause a delay in the rate at which transfers can be effected.

\*Not Printed.

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[Continued]

- (vi) What are the characteristics of tenants who have bought their dwellings in the past (in terms of age, household structure, income employment status, etc.)? How do these characteristics compare with those of tenants in general?

Over 20,000 properties have been purchased from the Council. Statistics as to the characteristics of the purchasers were not kept at the time and the staff resources are not available to carry out any meaningful analysis from individual mortgage files. All that can be said is that they all accepted the Council's offer to sell and met the Council's income test for a mortgage which is that the repayments on the mortgage at the option mortgage rate shall not exceed 22 per cent. of gross family income.

- (vii) What effect does/will the sale of council houses have on the effectiveness of housing management and on the quality of services to tenants?

Tenants who buy their homes seem to become more conscious of the shortcomings of their tenant neighbours and more ready to complain about their behaviour thus leading to increased pressure on the Council to curb unsocial behaviour. As tenants they could apply for a transfer if they disliked their neighbours, but it could be more difficult and costly for them to move as owner occupiers, especially in the early years when they cannot benefit from the full market price for their homes because of the claw back of discount. There is thus a pressure for stricter management. On the other hand, owner occupiers do not have to comply with Conditions of Tenancy and tenants wish to have the same freedom to do as they like with their homes. There is, therefore, a pressure for Conditions of Tenancy to be relaxed and left to the essential minimum. Management has, therefore, to be less detailed.

- (viii) What evidence do you have on the extent of the problems of default of tenant purchasers? To what extent have you repurchased from tenants and what difficulties and costs has this involved?

Nearly 15,000 Section 104 mortgages were granted by the Council between 1968 to 1973 to tenants purchasing their own council houses. Some 400 properties have subsequently been repurchased by the Council, but in very few cases has this been because of default and no particular problems have been encountered in buying back. So far difficulties have only arisen where a property has been sold at a discount with a resale price restriction and deficit has occurred during the pre-emption period. It has become necessary in 12 such cases for the Council to commence legal proceedings for foreclosure but the procedure is long and the result uncertain and 6 of the cases remain unresolved. The Housing Bill includes provisions in Clauses 100 and 101 which would overcome the present difficulties\*. In 12 other cases where the pre-emption period has expired, legal action has been taken for possession and the properties have been sold. In each case the proceeds of sale adequately covered sums due to the Council.

Of the mortgages originally granted about 11,000 remain: 410 (some 3.7 per cent.) are in arrears by more than one month; total arrears amount to about £66,000 on outstanding loans of some £37m.

Under the current sales programme another 7,000 mortgages have been granted since 1977. It is too early to assess the rate of default in these cases but there is no evidence to date to suggest that the arrears position is likely to be different.

- (ix) What consideration has been given to the impact of sales on other policies and programmes, e.g. Employment, Inner Cities, Social Services and Education?

As some 77 per cent. of sales have so far been to sitting tenants, and this pattern is likely to continue in the future, it is not thought that sales will have a major impact on other programmes, at least in the short term.

- (x) What is the impact of sales on local planning strategies, e.g. concerning local needs, second homes, retirement migration and employment and other objectives in planning policy?

No major effects are anticipated.

\*The Council's answer to this question was based upon the provisions of clauses 100 and 101 of the Housing Bill as presented to parliament on 19 December 1979. Since then Clause 100 has been extensively amended and the ability to overcome the kind of difficulties referred to in the Council's answer is reduced compared with the provisions as originally drafted.

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[Continued]

- (xi) Are there any particular local advantages and disadvantages?

There are no particular local advantages or disadvantages.

- (xii) (If New Town) How does the sale of new town-owned dwellings affect the various social and employment objectives of the new town?

Not relevant to GLC.

- (xiii) Have properties been sold as vacant dwellings or below construction cost without discount? If so, how many? What is known of the characteristics of the purchasers?

Yes. Some 90 per cent. of vacant possession sales so far have been to tenants living in other Council property. Substantial research would be necessary to identify characteristics of purchasers. Some 800 dwellings have been sold without discount where the market value is less than cost.

- (xiv) Please give other details of the characteristics of any dwellings which have been sold (their age, size, type, desirability and spatial distribution). How are the characteristics of the public sector housing stock changing under this and other influences?

In general, the sales policy, particularly that relating to sitting tenants, has been concentrated on the sale of houses as distinct from flats.

Particular figures are given below:—

(1) *Sales to sitting tenants*

Approximately 77 per cent. of all sales have been to sitting tenants.

(2) *Vacant new built flats*

This is the category with the second largest volume of sales (approx. 12 per cent). It is intended that many more sales will occur in this sector.

Approximately 5 per cent. of completed sales have been of flats in those blocks where all the individual flats are available for sale. The equivalent percentage amongst sales agreed but not completed is not readily available. Recent experience would suggest, however, that the pattern is unlikely to change significantly. If this is the case, there will clearly be important implications for the quality and range of housing provided by the public sector in London.

(3) *Sales of other vacant property e.g. vacated houses*

These have accounted for approximately 6 per cent. of total sales. In those cases where the purchasers were not already local authority tenants, these sales reduce the ability of the GLC to deal with households on the GLC transfer list and the ability to assist families nominated by the London Boroughs.

(4) *Homesteading*

This category, though small (5 per cent of sales) is important as many of the homesteading properties are concentrated in the inner city areas and represent some of the most dilapidated housing in London.

Less than one fifth of sales have been in inner London where almost  $\frac{1}{2}$  of all public sector dwellings are flats so that if the pre-dominance of house sales continues, there will be little owner-occupation in inner city areas where there is already a serious imbalance in tenures.

- (xv) What evidence do you have on the extent and timing of resales of former council dwellings?

Of the 15,000 mortgages granted between 1968 and 1973 to enable tenants to purchase their homes some 3,800 have been reduced. No information is available as to the reasons for redemption.

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[Continued]

As a general rule, most resales have taken place once the pre-emption period (5-8 years) has expired.

There has been a steady market for re-sold council estate houses and the prices achieved have not significantly differed from comparable properties in the private market.

- (xvi) When former council properties are re-sold what role do they play in the market? Do they form a low price stock of houses? Who buys them? What effect would you expect in future?

There is no information available to answer this question in detail but they would be attractive to first time buyers at the lower end of the market.

- (xvii) Is there any evidence of households not moving out of the Council Sector in order to buy because of the prospect of buying as a sitting tenant? Is there a loss of casual vacancies because of this?

There is evidence that tenants who might otherwise buy in the private sector prefer to buy at a much more advantageous price either their existing or a vacant council dwelling, the available discount being a most attractive element in sales.

### C. Background Material

- (i) What is the present size of the dwelling stock in your area and its tenure composition? How have these changed over the last 20 years?

It is estimated (from borough HIP submissions made in 1979) that the total number of dwellings in Greater London at April 1979 was approximately 2,720,000. Of these 860,000 were owned by the public sector (boroughs and GLC) and 95,000 by housing associations. Of the remaining 1,760,000 dwellings about 1,200,000 were owner occupied and 560,000 privately rented.

London's housing stock has been growing steadily over many years whilst the population has continued to fall. There were 2.15 million dwellings in 1951 compared with the 1979 figure of 2.72 million. Because of various changes over the way dwellings have been defined at each national Census and in the recent National Dwelling and Housing Survey it is not possible to produce an entirely consistent table of changes by tenure over a twenty year period. However, the Strategy Appraisal\* included a comparison in terms of households between 1961 and 1978 (see Table 3.1). This showed that in contrast to the number of dwellings, the number of households has been fairly constant and that there were more households than dwellings in both 1961 and 1971. In both numerical and percentage terms the greatest growth was in those renting in the public sector. Owner occupation also grew. There was a marked decline amounting to over half a million in households renting from private landlords.

- (ii) What estimates are available of future housing demand and supply by tenure in your area?

Estimates of future housing demand and supply in Greater London were included in the Strategy Appraisal (Chapter 2). These estimates, however, were not broken down by tenure. Work is under way which should enable such estimates to be prepared.

### Demand

The GLC produce each year four sets of population and household projections using different assumptions. The Strategy Appraisal used the highest and lowest projections to illustrate extremes of demand, and these (given in Tables 2.2 and 2.3) are still the best current estimates. This year's revised estimates are expected to be available in June; they are unlikely to be significantly different to the figures shown in last year's Strategy Appraisal.

### Supply

The Strategy Appraisal estimated the size of the dwelling stock by 1986 (on the basis of recent trends) to be just under 2.9 million. This estimate was lower than the increase which

\*Not printed.

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would be implied by borough estimates based upon their HIP submissions in both 1978 and 1979, but even so it will almost certainly prove to be over optimistic in the light of more recent trends and the HIP allocations for 1980/81. The forecasts are now being revised and this should be borne in mind when considering the figures given in the Strategy Appraisal (pages 24-26).

- (iii) Is it your current policy to sell council houses? If so, please give full details of your current sales policy.

Yes. Please see the attached material\*.

Greater London Council  
9 April 1980.

\* Not printed.

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MR GEORGE TREMLETT, MR H G SIMPSON CBE,  
MR J J MAIDEN, MR J STRINGER and MR T LIMNA

[Continued]

## Examination of witnesses

MR GEORGE TREMLETT, Leader of Housing Policy Committee; MR H G SIMPSON CBE, Controller of Housing; MR J J MAIDEN, Director for Home Ownership and Construction; MR J STRINGER, Assistant Treasurer; and MR T LIMNA, Assistant Director General, of the Greater London Council, called in and examined.

Chairman

830. Good morning, and thank you very much for coming. May I start, first of all, by thanking the GLC for its written evidence, and apologise for having to trouble you to bringing you here to amplify it, but there were a number of points in your evidence, which we felt we would benefit from asking you further questions about. Could I start by referring to the statement on page 282 of your written evidence, which refers to the Strategy Appraisal, in which it is stated that "it was also shown . . . that there is no longer a significant housing shortage in London except in isolated areas"? Could I ask you to amplify that and indicate the sort of areas you had in mind?

(Mr Tremlett.) Of course, it has been known for about three or four years that there is not a substantial housing shortage in London, but it is only in the past two years or so that anyone has been prepared to say so. One has the situation in the London boroughs where there is a surplus in housing (in particular Southwark, in particular Hackney). You also have other boroughs — Lambeth and Camden — where you have acute housing problems. You have in Brent, for instance, housing problems of a different kind. You have this peculiar situation in London, because of its declining population — the population has gone down by 1,100,000, whilst the number of homes has gone up to 2,700,000 — that you do have this mis-match which has now occurred.

831. With regard to the surplus to which you refer, you are referring, in effect to owner-occupied houses, or at least houses which are available for sale in the owner-occupied market, rather than to council dwellings?

(Mr Tremlett.) No. Unlike you, I am not choosing that as the necessary part that follows from the first. The first is a social background. The social background is that London is changing very substantially. Over a fifteen-year period one has seen its population declining. One has seen the population of London falling by about 350,000 a year, but with 250,000 people a year coming into London. The 250,000

people a year coming in have obviously been traditionally people coming from different parts of the British Isles, but they have also been people coming from abroad as well. One has seen a very substantial social change in the make-up of London.

832. How do you account, therefore, for the increase in the waiting lists in a borough like Mitcham, or Merton, or in other boroughs? I think it is the experience of most London Members that there is increasing pressure for housing, rather than the reverse.

(Mr Tremlett.) I am personally of the view that Parliament needs to consider whether local authorities should keep waiting lists in future in the way that they have in the past. The open nature of waiting lists, the fact that you could become a member of a waiting list if you so wished, is, in my view, quite wrong. It has become an expectation list, rather than a waiting list. It includes vast numbers of people who are already adequately housed. In my own borough of Richmond-upon-Thames they reckon that well over 40 per cent. of those on the waiting list are in no housing need whatsoever.

Mr Wionick

833. I must confess, I find your statement — that there is no basic housing shortage in London — to be quite amazing, but obviously you must stand by what you have said. Are you suggesting, in effect, that most of the people on the housing waiting list in the boroughs are not in need, and, therefore, one could say that 50, 60 or 70 per cent. of those on the waiting list do not need housing at all?

(Mr Tremlett.) No. I would not say that, because obviously the conditions vary from borough to borough.

834. Would you give a figure for it? You have been quite sweeping in your statement. You have said to the Chairman "You could go on the waiting list", therefore implying that many people on the waiting list are very much in the Chairman's position, putting their name on the waiting list for useless purposes.

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[Continued]

[Mr Winnick Contd.]

(Mr Tremlett.) Many people come on the waiting list, for instance, if they are getting married; rather than go out and get a home of their own, they would prefer the council to provide them with one. Many people, in our experience (although this is not quantified), do put their names on the waiting list as a precaution, an insurance, because they may find that the housing costs at one point in their life cycle are high, and they look forward to having housing accommodation provided for them. Where you say I was sweeping I was, of course, citing official figures available to you from all the censuses conducted over the last twenty years.

835. What would you say would be the percentage of those on the waiting list, in your view — and the waiting list in the London boroughs is very high indeed — who are people who do not really need housing?

(Mr Tremlett.) It would vary considerably, as I say, from borough to borough. In a borough like Hackney, where there is now one home available for less than two people, then clearly you would have some cause to question the validity of the waiting list as a mark of housing need.

Mr Johnson-Smith

836. You referred earlier to the fact that there was a mismatch. This is what qualifies the statement that there is no overall housing shortage in London. Whereabouts are these shortages, such as do exist, to be found? Are they mostly in the poorer boroughs, or do you think that shortages can be found in the rich boroughs?

(Mr Tremlett.) Not wholly the poor boroughs. There is a tremendous pressure on Westminster, and there is a tremendous pressure on Kensington and Chelsea. Camden has acute problems, particularly inner Camden. One also has, of course, the problems from the racial concentrations that have developed in Lambeth, where one has a very particular problem; also, for instance, in Tower Hamlets where overall there is not a substantial indication of housing need, nevertheless in the Spitalfields part of Tower Hamlets, for example, there is a very acute housing problem.

Mr Dobson

837. While it seems reasonable to dis-

count to some extent the numbers on waiting lists, would you also agree that the waiting lists undercount the number of people who are dissatisfied with their present housing, particularly those who are already living in council property and who find that housing inadequate, so that, for instance, in Hackney you could find that a very substantial proportion of the people in Hackney actually require somewhere better, or different, or which better fits their own housing needs?

(Mr Tremlett.) I would certainly think that that is substantially true in Hackney, also in North Newham, and also in North Hammersmith, who have a large residue of poor quality private sector rented housing which clearly produces its own problems.

838. There is also the mismatch and ill-fit of council tenants to the council housing that they are living in as well, which is not reflected in housing waiting lists, is there not?

(Mr Tremlett.) Yes.

839. You have it in your own estates, as you are well aware.

(Mr Tremlett.) Yes, there is a mismatch. This is one of the great problems that the GLC has had. We are in the process of divesting ourselves of all our housing stock and transferring it to the boroughs, but historically the GLC has had a great concentration of flatted accommodation in the inner boroughs, a lot of it very old. Clearly, that again has produced a particular problem.

840. Could you tell us what contribution that GLC old flatted property made to the housing lists of the inner boroughs?

(Mr Tremlett.) There is one particular problem that arose. That was, that for many years a number of the London boroughs were using that available pool of housing as a way of solving their problems of single-parent families, black families and so on. Until I put a stop to it in 1977, a large number of those families were being dumped in four London boroughs. Those four boroughs were basically Southwark, Hackney, Lambeth and Tower Hamlets. As I say, until I put a stop to that, all the black families and all the single-parent families that any other borough wanted to dispense with, because of the charge upon the social services, were ending up in those four

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[Continued]

[Mr Dobson Contd.]

boroughs. One stopped that, and the stopping of it has led already to a marked change in the social nature of those boroughs.

841. I do not want to be diverted, but I shall be diverted momentarily. Surely you are rather overstating it, in suggesting that boroughs were concentrating on moving out single-parent families into those four boroughs, because they used other means of rehousing people of that nature, and they also used other boroughs as well as the ones where the concentration of the GLC property provided them with an opportunity to do what you have said, did they not?

(Mr Tremlett.) I am afraid you are wrong. On the first part, where I made the basic point, the statistical evidence is quite convincing, and that can be conveyed to you. On the second point, if you were to ask the leaders of the four boroughs you would find that they all acknowledge that there has been this change locally, as a result of that change of policy.

Mr Dobson: Having been the leader of one of the boroughs that you have not mentioned, I am certainly well aware, for instance, that in the area that you are now referring to as a particular stress area — the inner part of Camden — it was the habit of a substantial number of other London boroughs to house single-parent families in temporary accommodation in hotels in that area. That was certainly going on at the time that you are talking about, and that had a very considerable impact. So clearly they were not all being rehoused in the GLC estates in the four boroughs that you are talking about.

Mr Johnson-Smith

842. I wonder if we might turn now to the sale of council property. To start with, I would like to ask you a question about the sales of vacant properties, because this does seem to have been one of the features of the sales policy of the Council which stands out as having rather greater emphasis than in most other councils who have operated a sales policy. Could you tell us whether this offering of vacant properties for sale has been an increasing element or a decreasing element in your sales policy?

(Mr Tremlett.) Yes, it has, but there have been constraints upon it. The obvious constraint is the availability of supply.

The first reason we started selling the empty houses on the estates was that we wanted to give tenants in flats an opportunity of home ownership. What we did not want to do was to start selling flats and to start "pepperpotting" which we set our faces against. So we started to try and find a pool of accommodation into which flat occupiers could move and become home owners. That was the beginning of the policy. There was the other side to it, and that was that we had some new developments where the cost of construction had been so enormous; one, for instance, is Brentford Dock which is fairly well known, also Thamesmead which is fairly well known too, where the cost per unit was coming out at about £40,000 per unit, and where they were eminently saleable. On financial grounds, we thought it much better to sell them and recoup as much of the costs as we could, to whomsoever wished to buy, and that we have pursued.

843. So is it a declining element or not now?

(Mr Tremlett.) The whole of our programme is declining, because we are in the process of transferring our stock to the London boroughs. We have already transferred about 60 per cent of it. The remaining 40 per cent we are hoping to transfer fairly soon.

Chairman

844. As a proportion of the sales, is it growing or declining?

(Mr Tremlett.) It is hard for me to say.

(Mr Maiden.) Perhaps I could answer that. It has been growing. It will shortly start declining. It has been, through the period of sales, an increasing proportion of the matter; but equally well, it has been a small proportion of the whole.

Mr Johnson-Smith

845. How long are these properties kept vacant in the hope of a sale?

(Mr Tremlett.) That is again a difficult question to answer specifically. At the last count we had (which was, I think, a week ago), we had 2,508 properties standing empty, and of those nearly 1,800 had purchasers in the process of buying and moving in, and the other 700 or 800 were in the process of being advertised, or sold, or purchasers being lined up for them. Quite clearly, however, this is something that we are highly



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conscious of: that one does not want to have properties standing empty.

846. Do you find that they are kept vacant longer, for instance, than properties which are for letting only?

(Mr Tremlett.) Yes.

847. That is because of what?

(Mr Tremlett.) That is because you are in the situation of the first-time vendor, and you are having, for the first time, to create deeds, you are having to define the property. In many cases it is property that was never intended to be sold, where there may be common parts, there may be a common heating system, there may be great difficulty in defining precisely what you are selling.

848. When you come to make a sale, do you find that most of the sales are on the open market, or is there a significant proportion which are sold to restricted groups, of the vacant properties?

(Mr Tremlett.) The last time I had the figures analysed (which was some months ago), 93 per cent. of all the sales that we had made were to council tenants, either in dwellings in which they lived, or, as I say, in the case of the flat dwellings, where we were providing another property for them to move to.

849. Were most of the sales in the inner part or the outer part of London?

(Mr Tremlett.) Inevitably the largest part has been the outer rim, because that is where the low density housing has been, and that has been the easiest part of the exercise. As I explained to you, historically the GLC has this large number of flats in the inner area — about 100,000 — and a lot of that is not saleable. A large number of the people living there would not want to buy anyway.

850. So it is true to say that, as far as vacant properties are concerned, they are almost all houses, and the vast majority are in the outer area?

(Mr Tremlett.) The large majority, yes, apart from Brentford Dock, for instance, as I mentioned, where we have sold the whole development on a leasehold basis.

851. Before we move on, there is just one other aspect on this. I do not want to go into the financial aspects of the policy in greater detail, but perhaps, as far as

vacant properties are concerned, it might be convenient to the Committee if you could give us some idea of what the financial aspects have been of this policy? How much has the Council managed to get into its coffers, as a consequence of these sales of vacant properties?

(Mr Stringer.) In the table we have given you in our evidence there is a line entitled "New Built". This is on page 280, section 1, and it is the second line of figures down, it is called "New Built". We have there the figure "900". On selling those for £16.5 million, you will see that there has been a deficit of £3 million over the cost.

852. I am sorry, I have got the wrong one.

(Mr Stringer.) It is on page 280. The table is headed "Proceeds of Sales", and it is under "New Built". There has been a £3 million loss on sales.

Mr Winnick

853. Reverting back to the points made by Mr Johnson-Smith before he mentioned the financial aspects, as I understand it, you said, in effect, that the more attractive properties are being sold off. Indeed, that is in line with the evidence which has been submitted to us in the paper from your Council. Would it not, therefore, be right to say that those tenants who have taken the opportunity of buying from the GLC have lived in the better part of the Council's housing stock?

(Mr Tremlett.) That would not apply where, as I said in answer to Mr Johnson-Smith, we were saying to flat tenants "If you have spent X number of years living as a flat tenant and you now wish to buy a house of your own, we have these homes available for you to purchase".

854. What are the figures? How many people living in flats have actually bought homes?

(Mr Maiden.) I am sorry, we do not keep that statistic. Our sales of new-build houses to nominated purchasers run in the order of 59 per cent.

(Mr Tremlett.) A nominated purchaser is one who is a tenant, who is put forward to buy.

Mr Johnson-Smith

855. I would like to come back to the financial aspects of it. I am following the table. As I understand it, there is a loss, on the sale of newly-built houses, of some

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£3 million. However, my question was not designed just to concentrate on newly-built houses. I see the table also refers to the fact that there has been a profit or surplus on the sales of other vacant properties, does it not?

(Mr Tremlett.) Yes.

(Mr Stringer.) Can I explain the difference between "New Built" and "Other vacant"? The "Other vacant" properties are vacated houses which had been tenanted and which are not then relet but are sold, or general properties bought perhaps for highway purposes, where the scheme has been cancelled, and there might be what we call general properties dotted about, then when they become vacant they too are sold. However, the "New Built" properties are those which are newly built, and the others are old property.

Mr Dobson

856. Presumably the £16.5 million proceeds from the new build are gross? How much of that did you have to lend out by way of mortgages to the purchasers?

(Mr Stringer.) The title, rather than "Proceeds", is more correctly described as "Sale Price". That is the market value less discount. The total capital receipts are, against that £71.5 million total, £22 million. The vast majority of the £22 million is derived from the "New Built". For example, over half of that is from Brentford Dock. Brentford Dock is totally financed by the building societies, therefore, to us, that is a capital receipt immediately.

857. I am sorry, you have lost me.

(Mr Stringer.) The majority of the sales of newly-built properties are, in this period of time, secured on building society finance and not the Council's finance.

858. Could you give me the figure?

(Mr Stringer.) Yes, it is part of the £22 million.

859. What is the position on the £51 million, if you deduct the money that the GLC had to lend to bring about that transaction?

(Mr Stringer.) 10 per cent of the sale price is not provided by the Council's mortgage.

860. So that your net proceeds that actually went into your pocket, so to speak, were only £5 million, not £51 million?

(Mr Stringer.) Yes, the year one cash flow.

Chairman

861. Can I get that quite clear, so that I am sure we understand it? You say that 77 per cent. of all sales have been to sitting tenants?

(Mr Tremlett.) 93 per cent.

862. I wonder whether there is some confusion here? Is it 77 per cent. to sitting tenants, 93 per cent. to tenants transferring from other council property? In other words, is it 77 per cent who are buying the house or flat in which they have been living?

(Mr Tremlett.) No. I said that, of the properties that we have sold, 93 per cent have been purchased by people who were either council tenants of that property, or council tenants elsewhere, prior to purchase.

Mr Dobson

863. Could we go on from that? Did the Council place any limitations on the categories who could buy the new-built property? You said that 40 per cent of it was sold to people who were not council tenants. Did you require that they should be in housing need, that they should live in the GLC area, or anything of that sort?

(Mr Tremlett.) I am not quite with the question.

864. I am sorry. As I understand it from the gentleman on the left — Mr Maiden — 40 per cent of the sales of new-built property were to people who were not council tenants.

(Mr Maiden.) We cannot say that absolutely, 59 per cent, were to nominated purchasers. The procedure that we adopt in the majority of cases is that we make sales available to what we would call a priority group, nominated purchasers, who are basically our council tenants, or tenants of London boroughs. If there is no takeup from them, then we move on to an open-market situation, but again some of our open-market purchasers are in fact previous council tenants.

865. But not of your Council?

(Mr Maiden.) No, possibly of our Council, possibly of London boroughs, possibly from outside. However, we count them then as open-market purchasers, because we are into an open-market phase of the marketing of that particular property.

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(Mr Tremlett.) I think there is one extra point, Mr Dobson. That is, that we do have at any one time 22,500 people waiting to buy properties. They are on a mailing list, and they are council tenants waiting to buy property that comes up.

866. I am sorry, maybe I am not registering as clearly as I ought. The position is that 59 per cent of your new builds which you have sold are to people whom you call nominated purchasers?

(Mr Tremlett.) Yes.

867. That is, they are GLC tenants of other property, or other councils' tenants?

(Mr Tremlett.) That is right.

868. Are there any other people in the nominated list, apart from those?

(Mr Tremlett.) No.

869. Then 41 per cent are being sold entirely to the first person who arrives with the money and manages to convince the estate agents that they are a good lot?

(Mr Tremlett.) Yes, but that point has already been explained to you by Mr Stringer, who explained that we have particular developments like Brentford Dock and Thamesmead, for instance, where we are trying to get owner occupation in, to have a different tenure. On Thamesmead we have a problem. There we have built a new town upon a marsh, and we have got 45 feet of peat underneath the marsh, on which we have to lay the foundations and build the houses. Because of the vagaries of the governmental subsidies for these schemes, it was always felt wisest to let these houses and, in effect, to provide for it to become a municipally-rented estate. We have now reached a stage where, with 19,000 people living there, if we carried on making this a municipally-rented estate we would have a total imbalance of population. Therefore, we are bearing the losses there, and we are selling on the open market, in order to achieve a balanced population. That is how you get your 41 per cent.

870. Maybe we cannot have these details now, but could we have a paper giving us the details of those properties, other than the ones on Thamesmead and Brentford Dock, which have been sold to people who were not GLC tenants?

(Mr Tremlett.) Of course. There are

a very few of them, but you can certainly have a paper on that.

(Mr Maiden.) I can put this in, in due course.

Chairman: Thank you very much.

Mr Sever

871. When we are talking about the authority accepting applications for purchasing property, from tenants, other than the property in which they are living when they make their application, is there some way in which those applicants are vetted or categorised, in order to assess whether or not they would be suitable for the property they are seeking to buy? The concept is somewhat new to me, and I do not fully understand that, as an out-of-London Member. I cannot quite understand how you arrive at a list of names which might be regarded as suitable for properties in other areas.

(Mr Tremlett.) I shall try and answer the question from one point, but I will ask Mr Simpson to come in afterwards. What we try to do is to avoid artificially forcing up the price of the property by creating an artificial demand. Therefore, we establish the price of a property, we establish its availability, and we then distribute to the 22,500 names on the mailing list details of that property. It is then open for those other tenants who wish to buy that property to register an interest. Mr Simpson can take the process from there.

(Mr Simpson.) The main purpose behind this is that if you meet the needs of a person already a tenant in the public sector, then, by providing a house or a flat which they wish to buy, you release a property in place of that one, which is still in the public sector. In aiming at that, the Council, from the beginning, had a nominated purchaser scheme which included the GLC tenants, London borough tenants and their sons and daughters living with them, tenants of registered housing associations (again, you see, it would produce vacancies in the public sector), and certain other categories (for example, people being displaced by other GLC or council development schemes; in other words, they would be offered housing by the local authority in due course, and if the opportunity is there they can take it, if they wish to become home owners rather than tenants). So that was the scheme. From 1 April this year, when the Government scheme

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giving revised consent was altered by the Secretary of State, the nominated purchaser scheme was limited in future to the tenants of the GLC and of the London boroughs. However, the whole essence behind this is that you are keeping a vacancy within the public sector, to meet need. Perhaps I could go on, because I think that part of another question was not answered. That question was as to whether we establish any details about the prospective purchaser. The answer is that, yes, of course we would want to ensure that, as it is the largest single transaction they will make in their lifetime, they are properly advised, that they have the means to fund the mortgage they will be undertaking, and generally to look after their interest. That is the vetting that is done. I think Mr Sever was possibly aiming at whether we included in that element of housing need as measured on waiting lists, I do not know.

872. That is right, I was going on to that I am grateful for that explanation, and that is very helpful. Would it theoretically be possible for someone coming from another city in the United Kingdom to come to the GLC and say "I am in a situation where I could buy a particular property. The one I have in mind turns out to be a GLC property, and I would like to buy it"? Is that theoretically possible, under any circumstances?

(Mr Simpson.) It would be one of those properties that had not been taken up by nominated purchasers. I think it is a question of mobility here that comes in, and perhaps there may be other questions. However, I do not think that Mr Sever is saying that there should not be mobility of that sort.

Mr Sever: I make no comment, I am merely trying to ascertain the facts, and I am grateful for the response.

Mr Dobson

873. It has been suggested to us by one London borough which does sell its housing in the way that the GLC does, that this would assist the movement into London of key workers. I take it that in this percentage of 40 per cent of non-council tenants to whom the GLC are selling newly-built property, there is no question of looking to see if you can help key workers to move back?

(Mr Simpson.) It could include key workers, people who have got a job here,

or their firms have moved and they need housing which they are prepared to buy. However, the GLC has a separate scheme for assisting industrial workers, and that is quite a separate scheme for that.

874. Or it could be a merchant banker, whom I would not regard as a key worker! (Mr Tremlett.) Quite frankly, if we get merchant bankers living in Thamesmead we would regard that as an achievement!

875. You would not regard it as an achievement to get them living in Brentford Dock?

(Mr Tremlett.) Yes, we would.

Chairman: Now can we go on to the subject of relets and mobility.

Mr Sever

876. I was wondering if the authority could provide us with more information on the loss of relets? You have given us the figures for 1978 and 1979, but we understand that the figures for earlier years were higher than that. If that is so, could we have some evidence on that?

(Mr Simpson.) The number of relets taken for sale in the three years of the sales programme has totalled 1,700. That is local authority accommodation which has become vacant, which has not been used for letting in the ordinary way, it has been passed to the Director of Home Ownership, for sale.

877. These reductions in relets, combined with the declining programme of new build (and the sale of some of that anyway) have resulted in a considerable fall in transfers and other lettings. I was wondering if the authority could provide us with some details of this, in particular of the decline in transfers accepted (especially the implications for tenants wishing to move from flats to houses)? I know from the experience of other authorities, for example, that a very large number of people who might have anticipated that they could move from, say, high-rise dwellings into houses will no longer have that opportunity put before them in the immediate future, because they will have gone further down what is already a long list of waiting time anyway, before that opportunity is open to them. I am wondering how the GLC have found that that affects them?

(Mr Simpson.) The first part of that question related to transfers, the effect on

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transfers. Perhaps I could quickly go through the five years from 1975 to 1979. In 1975 there were a little over 7,000 transfers. In 1976 there was a very substantial jump — and there was a reason for this, which I can give — to 11,205. In the following year, 1977, there were again 11,400. In 1978 there were 9,200. In 1979 there were 8,100. That is the rate of transfers. The second part of the question was the effect of the use of relets on those tenants living in flats, who would wish to transfer to a house. In so far as the 1,700 properties were estate houses, then that is a measure of the reduction of opportunity. The houses themselves are not lost, of course, but there is a reduction of opportunity for those who would wish a house as opposed to the flat in which they are living, plus there is a small addition to that, I suppose, which would be the loss of vacancies which occur in that number. We get 3 per cent. vacancies every year, so one would add a little bit to that figure. That is a measure of it.

(Mr Maiden.) In the same period there were something over 46,000 letting transactions. It is the reduction of 1,700 in that number of letting transactions which is perhaps the measure of the comparison.

Mr Johnson-Smith

878. It is a very small proportion. I was just wondering if it is on a downward trend?

(Mr Maiden.) We were asked about new build as a decline. New-build starts are declining. New-build deliveries are still holding up. In the relevant period, the three years we are talking about, new build delivered 18,000 to the GLC, of which 2,000 were taken for sale.

Chairman

879. Could I have that again?

(Mr Maiden.) 18,000 new-build deliveries in the last three years (completions, that is), of which 2,000 were taken for sale.

Mr Sever

880. To my simple mind, that indicates that the numbers being built in the pipeline have been considerably reduced?

(Mr Tremlett.) Yes, by 85 per cent.

Mr Winnick

881. Continuing on that point about new building, is it the wish of the GLC to cut out as much new building for letting

as possible? Is that the general philosophy behind your group?

(Mr Tremlett.) Yes, we are firmly of the view that London has too many council houses, and we are trying to reduce it.

882. Of course, that arises, does it not, from your opening statement that there is no acute housing shortage in London, and there may be a mismatch (to use your words)? Presumably, therefore, on that basis, you do not see any real need to provide the accommodation which, if another group was controlling the GLC, they would be building?

(Mr Tremlett.) We obviously look at things somewhat more robustly perhaps than you do. In London and in the public sector we see about 950,000† dwellings of which, very roughly, about 860,000 are owned by the borough councils and by the GLC. That is much higher than the national average. When you compare that as a percentage of the total number of dwellings — which is 2,700,000 — that is much higher than the national average.

Mr Dobson

883. But is not that only in a limited number of London boroughs?

(Mr Tremlett.) Yes, and it is those London boroughs that have pursued the policy of massive council house building, which has been followed by a decline in population, a decline in jobs, with industry moving away, and, in effect, poverty has followed municipal enterprise.

Mr Winnick

884. I must say to you that we have had evidence, for example, from the Catholic Housing Aid Society\*, that has provided us with details, both written and in oral evidence before this Committee, of a very acute demand for housing, particularly in London, of the many, many hardship cases of people who would find no way at all of solving their housing problems by obtaining a mortgage, who wait desperately, and are living in the most inadequate accommodation, to be housed by the local authority. That certainly conflicts with your very calm assurance that there is no need to worry about housing in London, as far as the public sector is concerned, because, if anything, we have got far too many council houses, and, as far as the housing need is concerned, it has been exaggerated. Therefore, your evidence certainly conflicts

†Includes approximately 90,000 dwellings owned by housing associations.

\* Printed page 198.

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with the evidence we have had before us on previous occasions.

(Mr Tremlett.) I do not think it does, because you are taking comfort from the fact that somebody shares your beliefs and produces a document that justifies that opinion. I would say that if you look at it objectively, if you look at the distribution of population, the distribution of dwellings, if you look particularly at the 1971, 1961 and 1951 censuses, you will find that there is a distribution of dwellings closely related to a distribution of employment and closely related to the actual — I hesitate to use these words — demographic structure of each community. What one has now found is that particular areas of London for 40, 50 and 60 years have believed that the solution is to have massive council house building programmes, and those have become the poorest areas in London, the employers have left, the educational attainment is very, very poor indeed, and those particular boroughs have effectively cut away the life supply to their communities. It is to try and counteract that that we have put forward a very radical term of approach.

Mr Dobson

885. Could I come back on that, because is it not the case that in the London Borough of Camden — which you say is still an acute stress area — the proportion of council houses is still, I believe, lower than the national average? Is it also not the case that you are not actually going to make any change in the London Borough of Hackney, as a result of your policies? I believe that your philosophy is that you would like to see Hackney seeded with owner occupation, so that it will generally raise the tone and virility of Hackney. However, is it not the case that your policies make no impact whatsoever on Hackney, because their impacts are in the areas where you owned houses?

(Mr Tremlett.) I think the problem is that you look at London from a viewpoint of Camden. We have to look at London as a whole, as an integrated city.

886. As strategists, yes,

(Mr Tremlett.) If you take particular parts of it where the kind of approach that I have indicated is beginning to apply; if you take, for instance, Tower Hamlets where the policy of municipal housing had reached the level of 82 per cent. of all homes in Tower Hamlets being

owned by the borough council and by the GLC, with industry declining, exceptionally high rates of unemployment, the rate base shrinking out of sight, as soon as a different type of approach by the Tower Hamlets Council and by ourselves started to emerge three or four years ago one has seen a subsequent change. Industry is coming back, employment is coming back, owner occupation is beginning to come through in a very small way, and lo and behold the rate base of Tower Hamlets (the product of a penny rate) has gone up from £350,000 to £420,000 a year, in three years.

887. Do you believe that those changes are taking place as a direct result of your policies? Do you believe that there is a causal relationship between those things that you have described and the GLC's policy of selling council houses?

(Mr Tremlett.) No.

888. How many houses have you sold in Hackney?

(Mr Tremlett.) What I am saying to you is that the one is an essential part of the other; that if you try to produce a balanced community where there are opportunities for owner occupation, where there are opportunities for middle management to live so that they do not have to commute from elsewhere, then you have a greater likelihood of attracting employment, and you have a greater likelihood of making that community more viable.

Perhaps Mr Tremlett has not got the figures. Could he provide the Committee, before we finally publish our Report, with details of the number of houses sold by the GLC in Hackney?

Chairman: Or on a borough basis.

Mr Dobson

889. Could you provide us with those details on a borough by borough basis, and the number of houses built by the GLC in Hackney, which have helped effect this amazing transformation?

(Mr Tremlett.) No, Mr Dobson, you are being characteristically unfair. If I may make the point, one cannot achieve a transformation of that kind, because, for instance, in Tower Hamlets (to cite as an example) there were only 1,200 homes left in owner occupation when we took office. It is going to take many years to achieve any kind of transformation. However, when you have an aggressive policy being pursued, you have the UDC

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coming into being, the enterprise zone possibly being declared there, and you have all these policies pursued together, then I think you are going to achieve a very different type of community.

Mr Johnson-Smith

890. I think we got into this because it was a response earlier to a question that Mr Tremlett believed that it was unnecessary to pursue an aggressive policy of municipal housing, on the grounds that, if you did so, poverty then followed municipal housing, and the most poverty-stricken areas in London are those where you have got 80 to 90 per cent municipal housing. I do not think he was trying to prove that the sale of the odd council house in Hackney or Tower Hamlets produced the result that it was going to arrest this trend of poverty, but it is part of the overall policy of London, along with enterprise zones and various other things, which would certainly help create a more mixed population or a more balanced population, is it not?

(Mr Tremlett.) Yes.

891. In the meantime, the first essential step, as I understand from what you are saying, is to stop building council houses in the poor areas of London?

(Mr Tremlett.) Certainly.

Chairman

892. I want to take up the question of trend-setting in a moment, but could I ask a general point? As I think you are aware, we have received written evidence from Mrs Gladys Dimson\*. Can I ask you whether there are specific, factual areas of disagreement that you have with that? I am not asking you to comment on the philosophy that was expressed by Mrs Dimson in her letter, but, for the benefit of the Committee, it would be helpful for us to know whether there are any factual points on which you think that that evidence is incorrect?

(Mr Stringer.) I think that the only item we would change in the table on "Section 2: Immediate Impact of Sales in Annual Revenue Terms", on page 281, is to reconsider the management and maintenance savings, because they are no longer incurred. The figure we used at that time — which is the period to 28 September 1979 — was reached because we took an average, all-stock figure of management and maintenance. It is quite

\*Not printed.

true that sales have related overwhelmingly to cottage estates on which the management and maintenance must be lower than for the stock as a whole. We would think now that in our next presentation, which is for the year ending March, we would use a figure of £250 a dwelling being weighted more significantly to the cottage costs, and that would reduce the £2.3 million figure we have used here to £1.5 million, it would be a reduction of £0.8 million in the quantification. I would say that, in moving in that direction, we could also refine the gross savings in loan charges and capital receipts figure. We had, in our calculation, taken an average pool rate of interest as being the benefit. We could just as easily have taken the marginal borrowing which would have been at 15 per cent. rather than 10.6 per cent. That would have increased the annual benefit from £2.3 million in that area to £3.3 million. We could have ended up, from those two factors, with an increase over the figures shown in net terms. However, we do acknowledge on the maintenance and management that it is too obvious an average, it ought to be adjusted to the balance of stock actually sold.

893. Thank you. Apart from the actual figures and statistics quoted by Mrs Dimson, you would not disagree with what she says?

(Mr Stringer.) No. The G.L.C. table in Sections 1 and 2, on pages 280-281, is a professional presentation of the situation that faces the Council in financial terms.

Mr Winnick

894. In that case, I wonder if I could ask a question about the assistance which the GLC now gives to individual boroughs. On the figures provided by Mrs Dimson, it would seem that there has been a sharp reduction of about 40 per cent. in the number of families which the GLC have rehoused in recent years. What are your comments on that?

(Mr Simpson.) I think that different sources are being used. The figures quoted are those which were used in our evidence to try and demonstrate the effect of sales on relets. I think that the information as to whether those figures are too low, or would be low if we showed different years, is not correct, because a different source is being used. If we gave the two years that Mrs Dimson thought we ought

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to have given, in addition to the two that were given, then the figures would be 10,600 for those two years, on the same basis as was used against, I think, 9,100. There were two figures quoted, 9,600 and 9,900. That was for 1976 and 1977. The appropriate figures, on the same basis, for 1978 and 1979, would be 10,600 for each of those two years. So it is a different source of information that is being used, that appears to present a contradiction.

895. So you are saying, in effect, that the GLC is rehousing the same number of families as previously, from families nominated by the London boroughs?

(Mr Simpson.) No. I think that what are being looked at are two different sources of help to the London boroughs. If you look at London borough nominations, these are from families who are at the top of their waiting list, whom they are asking the GLC to help, and there the numbers have fallen. However, if you look at special quotas which are given to boroughs, for ready-access schemes, for homeless families and so on, these special quotas to the boroughs have risen. We could put in a short schedule that would demonstrate that. Perhaps I could give the total, which I think might help you. In 1975 the lettings to the boroughs and the GLC numbered 22,000. In 1979 there were 29,167. They go up a little in the intervening period. We shall put in a paper on that.

Chairman: We would be grateful, thank you very much.

Mr Dohsoo

896. Not being a strategist like the people at County Hall, I have to confine myself to examples. Certainly when we were taking evidence from the Wandsworth Borough Council one of their explanations for the reduction in relets and transfer opportunities in Wandsworth was that there had been a marked reduction in the number of people that the GLC was rehousing for Wandsworth. I would be grateful if you could confirm whether that is true or not?

(Mr Simpson.) I read that evidence. I asked for the figures. It is true that in 1978, for reasons which we can put in to the Committee, there was a fallback in the number of allocations. In early 1979 that continued, but in the latter part of 1979 we have picked that up. It is a rather complex issue, because it is the types of families and

the aspirations of those families, that result in lettings if they are put forward to the GLC for housing. I think that this is clearly a matter for a paper which your Committee will wish to consider.

Chairman: Thank you very much.

Mr Scott

897. I wonder whether we can have, as it were, a progress report on the homesteading scheme which I think has been running for about three years now; how it operates, what the trend has been in the sales, and the types of properties and the types of purchasers that you have in that scheme?

(Mr Tremlett.) Yes. The homesteading scheme did get off to a rather tricky start in the first place, because the first thing that we discovered was that people did not want to live where the empty houses were, and finding people actually to go and live in Hackney was rather difficult by conventional means. So what we actually had to do was to make available a scheme that people could use to adapt to their own needs, so that, in effect, they could find the derelict house that they wanted, in the area that they wanted to live in, and then use the availability of the scheme (which is essentially up to three years without paying interest), with that sum of money going into paying the costs of redecorating, or refurbishment, or total improvement. Having amended it in that way, the scheme has become a success. We have completed 707 sales. We have got over 500 more in the pipeline, which means that we will have completed well over 1,200 by the end of this year, and our initial target was 1,000. Quite clearly, we have got the makings here of a major contribution to dealing with the problems of poor quality private sector housing and poor quality public sector housing in London. We have been using our own houses and buying property in the private sector on a same-day, back-to-back sale operation, to find people who will homestead. The demand for it is tremendous. Quite frankly, the demand exceeds our capacity to meet it.

898. The demand for it is rising, is it?

(Mr Tremlett.) The demand is rising. The only problem that we obviously have is that the available finance comes within the HIP allocations; and also introducing a new policy of this kind, that had not



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[Continued]

[Mr Scott Contd.]

been done in this country before and even in the States had been done in a totally different kind of way, had not been done using the particular nature of the British housing legislation and so on. It took us a little while to get a head of steam, but we have now got that.

899. So you are saying that if a Londoner or anybody finds a derelict house, even if it is private hands now, you are prepared to buy it and sell it to them, assuming there is a willing seller?

(Mr Tremlett.) Yes. They must live or work in London. It is for London people, people who work in London. They must be able to afford it. We do not allow them to overstretch themselves. Also the house itself must be capable of being improved. There is no point in allowing someone who is headstrong to take on something that is totally beyond any possible hope of being brought back into use. But given that that is the general background, we find that, with the young people who come forward, the average joint income between them is about £8,000 a year, and this gives them a chance of buying a home of their own. In the main, they are nearly all first-time buyers. In fact, I believe they are all first-time buyers. They are people who, but for this scheme, would have no prospect of owning a home.

900. Have you any idea what their previous tenure was?

(Mr Maiden.) They are first-time buyers, therefore they must come out of the rented sector, but where in the rented sector or whether they were living with parents or the like, we are not sure. We do not inquire to that extent. We do not keep personal statistics on these people. We are concerned (1) with their capability to be a valid homesteader, and (2) with their financial resources for doing it. The sweat element is a very strong one in the scheme, and they have to be able to cope with the problems that they are going to face.

901. What is it costing the Council?

(Mr Tremlett.) We have got 53 staff engaged in total now on all the different aspects.

902. On all aspects of homesteading?

(Mr Tremlett.) Yes. It tends to be a little staff-intensive, for one reason. That is, that you are guiding the homesteaders through the various processes: for instance,

that they do not try and build a back addition to the kitchen and move on top, without getting planning permission. One is guiding them through the processes of dealing with the laws, getting improvement grants and so on. In staff costs, the average cost is £500 per dwelling, excluding the waiver of interest. The waiver of interest is a substantial cost, and that works out at about £380,000 last year; this year it will come up to £1 million. But that, of course, is the price that we publicly wanted to pay to bring about the improvement of the stock.

Mr Dobson

903. I would like to ask one point about the GLC's non-sale of flats. Could you tell us, very briefly, why you did not sell flats?

(Mr Tremlett.) We have sold some flats where we have set up management companies and we have established leasehold tenures. We have also set about a very extensive campaign of encouraging co-operative housing. We have got 3,000 units now going into co-operative tenure of one kind or another. However, we did not go into selling individual units in large flatted blocks, because we thought this kind of "pepperpotting" might lead to management and maintenance problems. This was the basic reason why we started selling individual properties on the estates to flat-dwellers, so that we could make home ownership available to people who lived in flats, without necessarily "pepperpotting" individuals' flats in those blocks. It is my own personal view that one needs to have flat developments in relatively small leasehold or co-operative developments; they should not be too large a block, because otherwise you do not get the personal interest in the management.

Mr Winnick

904. Mr Tremlett, at the end of the day it would be right to say that you are in favour of selling council dwellings, because you believe — and I do not want to put words into your mouth, but I believe I am right in quoting you here — that there are far too many council dwellings in London; and moreover that the housing demand is much less as regards genuine demand than many people believe, so you see the sale of council dwellings as a very useful way, do you not, of reducing the public rented sector? Am I right about that?

(Mr Tremlett.) You are right in the first

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[Continued]

[Mr Winnick Contd.]

part of it, but that is only part of it. There is also the other fundamental belief that I hold, and that is that there should be a redistribution of wealth from the State to the people, and that by the discouragement of public sector housing one can have that redistribution of wealth.

905. The redistribution of wealth is more correctly a matter for Central Government. Be that as it may, the basic philosophy of your Council is that there are far too many council dwellings, and therefore the way to reduce that is to sell them off as quickly as possible?

(Mr Tremlett.) No, I think that that is a little too simplistic. I think that the answer I gave you did put what I was saying in its proper context.

Chairman

906. Mr Tremlett, thank you very

much. I am sure we could go on asking questions for a considerable time, but may we submit further written questions to you, in the light of the evidence that you have given, on all the points that we wish to clarify? We would be grateful if you would accept such questions and let us have your replies. Would you also accept the thanks of the Committee for appearing before us.

(Mr Tremlett.) Thank you very much. My officer colleagues at County Hall thought that the members of the Committee might like to see the different literature that is made available to those who wish to buy, including the sales brochures, the information on how mortgages are financed and so on. This has been assembled in a pack which perhaps can be distributed after the proceedings.

Chairman: We would be very grateful for that, thank you very much.

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[Continued]

THURSDAY 19 JUNE 1980

## Members present:

Mr Frank Dobson	Mr Bruce Douglas-Mann, in the Chair
Mr Geoffrey Johnson-Smith	Mr Nicholas Scott
Dr Brian Mawhinney	Mr John Sever
	Mr David Winnick

## Memorandum submitted by the City of Birmingham

## Sale of Council Houses

*Questionnaire from Environment Committee — Answers by the City of Birmingham**A. Financial Aspects*

- (i) What evidence is available of the likely extent of sales if a statutory right to buy is enacted? If your view is based on an analysis of tenants' incomes, ages and other characteristics, please provide details.

In Birmingham, the right to buy will have less impact than in those authorities who are not now selling houses to sitting tenants. Birmingham has been selling houses freely, with the maximum permissible discount, since 1976.

It is difficult to assess the impact that the statutory right to buy will have because the level of sales is affected by a number of factors such as increases in rent levels, publicity and the mere wish by a number of tenants to follow the example of those who have already bought.

No information is readily available on tenants' incomes and the age of tenants is not of great significance and, in fact, a number of middle-aged and elderly tenants have bought with the help of the City's guarantor system.

- (ii) What overall financial gain or loss is anticipated to result from sales at the discounts provided for in the Housing Bill?

Because there are so many variable factors and because a lot of assumptions would have to be made, it is not possible to predict the long term financial gain or loss to the Housing Revenue Account or the effects on the local authority's finances. It is only possible to say with any degree of certainty what the effects on the Housing Revenue Account are in the short term. For the year following the sale of the house, the gain or loss is shown as follows:—

Gains	Losses
Interest payments on the mortgage	Rent
Savings of management and repair costs	Subsidy

The longer term effects on the Housing Revenue Account of sales will depend on the rate at which rents rise and to the extent that the increase in rents would be offset by increases in repairs and management costs, plus the pattern of future housing subsidies. In general terms, houses first occupied before 1 April 1975, show a gain and houses built and occupied since 1975 are more likely to show a loss. Housing subsidies were vastly increased from April 1975, and the resulting loss of this subsidy has a considerable effect on the Housing Revenue Account. Clearly, sales at 50 per cent. discount must reduce the amount of gain to the Housing Revenue Account per house but if the effect is a greater number of sales, the Revenue Account may benefit.

- (iii) What differences are anticipated in the financial effects of sales of dwellings of different ages and types?

As stated above, sales of houses built before April 1975, are more likely to show a gain than houses built after that date.

- (iv) Are any indirect financial effects expected to result from sales (e.g. increased or reduced need for area improvement policies)?
- (v) What evidence is available on the reduction in management and maintenance costs due to sales?

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[Continued]

Because houses are sold to those sitting tenants who are more financially secure, it could be that the remaining housing stock of rented property will be occupied by a greater percentage of tenants who may be suffering from social disadvantages, such as single parents and other low income families. The savings on management costs will not reduce in direct proportion to the houses sold and the unit costs of management of the remaining stock is bound to rise. Similarly, if high rise flats form a larger percentage of the remaining stock, the average unit cost of maintenance must rise and if the number of houses sold is substantial, the maintenance of a more scattered stock will reflect in higher repair and maintenance costs per unit.

- (vi) What is the likely scale of the loss of re-lets due to sales and when will this loss occur?

If the void rate of the houses sold to sitting tenants is assumed to be the same as the rate for comparable rented stock, then clearly the loss of re-lets will be a straight percentage of the properties sold. We do not have a breakdown of percentage re-let rates as between houses and flats but, at present, the void rate in the City runs at 4.7 per cent.

There are indications, however, that the people buying houses are those tenants who are satisfied and settled and are not looking for a transfer. They are merely buying their house because they see owner occupation as a more beneficial form of tenure. If this assumption is correct, it means that instead of 47 houses not being available for re-letting each year for every 1,000 sold, the number not coming up for re-letting will be much smaller in the first few years following the sale. For the period of 10 years after the sale, and beyond, the number of voids from those houses could be expected to increase so that over the long term the void rate could be equivalent to the average for the City.

- (vii) What is the extent of the anticipated need for replacement of dwelling sold, by building or purchase? (Please relate this, if possible, to the Housing Strategy Appraisal prepared for your HIP, or to any other Housing Strategy Statement prepared by your authority.)

Assuming that the demand for housing remains the same, or increases, and the demand is not being met from other sources, then the need for replacement should be equivalent to the number of re-lets lost through sales. The present stock of houses and flats does not match the existing family size requirements and it could be anticipated that the replacements would be in small purpose-built accommodation for the elderly, for wheelchair cases, for the young single person and for the large family. To the extent that the Act will permit the sale of flats and bungalows, purpose-built for the elderly, and the possibility that on resale these will cease to be occupied by elderly persons, then the replacements in specialist housing would have to be the direct equivalent of the properties lost.

- (viii) What is the known or anticipated extent of sales of flats under leasehold arrangements? What gains or losses to the authority are known or anticipated in these cases? What difficulties are known or anticipated in the case of such sales?

Until June 1979, Birmingham had only considered the sale of flats where all the tenants in a block wished to purchase. Since then, the Council has agreed to sell flats to any sitting tenant. Initially, over 400 applications have been received. This is from a stock of 50,000 flats. In Birmingham, in common with other provincial towns and cities, the sale of flats in the private sector is relatively small and it is not expected that owner occupation of flats in the council sector will be very significant. The construction costs of flats were higher than the costs of building comparable houses but these higher costs were offset by savings on land, road and sewer costs. The effect on the Housing Revenue Account by the sale of flats is expected to be comparable with the effect of the sale of houses. If the reduced demand for flats, as distinct from houses, results in lower valuations, then this will obviously have a direct effect on the gain or loss situation.

The proposals for recovering costs through service charges under Schedule 15 of the Housing Bill will create numerous difficulties for local authorities in managing blocks where only a small number of flats have been leased.

- (ix) To what extent is it anticipated that the provisions of the Housing Bill for the two-year options to purchase will be taken up? Is this expected to give rise to problems?

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[Continued]

This answer must be based on speculation: if the two-year option is restricted to those tenants who are genuinely unable to service a mortgage, then it could be that there will be a comparatively small response in Birmingham. On the other hand, intensive publicity could create a large uptake from those tenants who have not yet considered house purchase.

The provision will create more administrative work.

- (x) What gains or losses are known, or anticipated to accrue  
(a) to tenant purchasers;  
(b) to tenants who do not purchase (i.e. through increased or reduced rents)?

(a) Apart from variations in interest payments, the purchaser's outgoings are constant in relation to the mortgage whereas it can be reasonably expected that rents will increase in line with inflation. In addition, the purchaser is likely to have the benefit of tax relief or the benefit of the option mortgage scheme. He also has the advantage of the appreciating capital asset. Against this, he will have to meet the cost of maintenance and will cease to have the benefit of rent rebate facilities and supplementary benefits to the extent that as a tenant he could have the whole of the rent taken into consideration.

(b) To the extent that the sale of houses reflects a gain on the Housing Revenue Account, the remaining tenants (or ratepayers) are bound to benefit. If the unit costs of management and repairs increase as a result of sales, this is to the disadvantage of the remaining tenants.

- (xi) What evidence do you have of the difference between rents and initial net mortgage payments on dwellings likely to be sold?

In the initial years, the mortgage repayments (with tax relief or with option mortgage scheme) are higher than the reasonable rents charged by local authorities. The main item which creates a gain or loss on the Revenue Account is the amount of Government subsidy which is withdrawn on sale. If the amount of Government subsidies are in future substantially reduced, then the level of mortgage repayments, less tax relief, could be less than reasonable rents.

- (xii) What effects do you expect on the market for owner occupied houses in your area?

There is evidence to show that the number of tenants leaving their council houses to purchase houses privately has not diminished during the years 1978/79 when Birmingham was freely selling houses to sitting tenants. This indicates that tenants who buy are normally settled and are buying because they see advantages in owner occupation over renting. It could be concluded, therefore, that at present the sale of council houses will not reduce the demand for houses in the private sector but in the long term, when these houses come on the market for resale, they will increase the stock of cheaper houses available.

- (xiii) Can sales of council dwellings contribute in any way to the prosperity of the local economy, e.g. by relieving labour supply constraints?

As far as owner occupiers are more likely to do their own repairs, and maintain their own houses by Do-it-Yourself labour, this will reduce the pressure on the limited supply of building trade labour and the need for public sector expenditure will be reduced.

- (xiv) What proportions of households will qualify for mortgages and discounts and what are the implications for the numbers and pattern of sales?

Eighty per cent of applicants for council house purchase qualify for mortgages and 60 per cent of applicants who apply initially proceed to purchase. Applications are withdrawn for other reasons than inability to meet mortgage repayments. The fact that the City Council is prepared to accept guarantors helps to contribute to this high percentage.

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[Continued]

Birmingham increased its maximum discount to 50 per cent in May 1979. In the following eight months, 40 per cent of tenants qualified for maximum discount and 5 per cent received no discount as the all-in cost of construction was higher than market value.

*B. Social Aspects*

- (i) What properties do you expect will be sold under the new legislation? What impact do you expect sales to have on housing estates and especially unpopular and difficult to let estates?

Although there is considerable interest from tenants living in flats, the percentage of applicants wishing to purchase flats is still very low in relation to the total stock of flats. It is not anticipated that the new legislation will have any effect on the pattern of house sales in the City since the City Council has been selling houses since 1976 and has always given the maximum discount allowable. As might be expected, the pattern of sales indicates that the greatest proportion of houses sold are on those suburban estates which are in greater demand by tenants and applicants. In general, Birmingham does not have large areas which are unpopular and difficult to let but there are some pockets or sub-districts which are less popular and have a larger number of problems. Since there will be proportionately fewer sales of houses in these areas, the new legislation is not expected to have any effect but the sale of houses in other estates could have a stabilising effect and prevent deterioration.

- (ii) What is the current demand for council housing in your area? How many households are on the Waiting List and how representative is this of need?

The Waiting List at 31 March 1980, amounts to 14,188 and is open to all families who live or work in Birmingham, subject to the restriction that single people under the age of 25 are not at present admitted. The adjusted need figure submitted in the Housing Investment Programme Strategy Statement is 15,672 at 1 April 1979.

- (iii) What is the trend in the availability of properties for letting?

Disregarding the availability of new properties, the pattern of houses becoming available for re-letting has increased dramatically. Deducting transfers and exchanges, the number in 1974 was 3,929 and this had increased in 1979 to 7,824.

- (iv) What effect do you expect the sale of council houses to have on demand for council housing and your ability to meet it? In particular, what impact do sales have on households on the Waiting List and on the homeless? Are there particular consequences for special groups, viz. the elderly, disabled, handicapped, single parent families, low income households, ethnic minorities?

The effects of the sale of houses have been dealt with in answers to Part A, particularly in answers to questions (vi) and (vii). There is concern, however, that the sale of bungalows or purpose-built accommodation for the elderly (other than warden supervised schemes which are excluded from sale) and their subsequent resale to younger families, could exacerbate the present shortage of accommodation for the elderly.

- (v) What effect do you expect the sale of council houses to have on those seeking transfers? If possible, please relate your answer to quantitative information on the size of the transfer list and the rate of transfer and to your transfer policies.

If, as expected, the pattern of sales continues the same following the passing of the Act, then the proportion of family houses will be reduced in relation to the total stock of rented housing. The reduction in the number of void houses, as distinct from flats, becoming available would have an effect on the families with young children waiting to transfer out of flats. The total Waiting List of tenants seeking a transfer is 25,939 and, of these, 17,597 tenants are seeking a transfer to a house as distinct from a flat or maisonette. The Council deals with applicants for transfer in the same way as the Waiting List of applicants, that is under a priority points scheme. Of the total, 18,763 tenants are included on the priority

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[Continued]

points scheme. The remaining applications are recorded but can only be dealt with by exchange or transfer outside the scheme. In 1979, 6,343 families were transferred and, of these, 1,787 were transferred from flats and maisonettes to houses.

- (vi) What are the characteristics of tenants who have bought their dwellings in the past (in terms of age, household structure, income employment status, etc.)? How do these characteristics compare with those of tenants in general?

There has been no specific research undertaken into the characteristics of purchasing tenants but, apart from disadvantaged groups, such as single parent families, the sales covered a wide spectrum of tenants. All age groups are represented and although it is accepted that the 20 per cent. of tenants who fail to qualify for mortgage does not necessarily represent the total number of low income group families, there are indications that families on comparatively low incomes do buy houses.

- (vii) What effect does/will the sale of council houses have on the effectiveness of housing management and on the quality of services to tenants?

The sale of council houses should not in itself result in greater or less effectiveness of housing management. If the same number of staff are retained to manage fewer houses, then the result could be beneficial but this is an artificial argument since the ratio of staff to households does not necessarily depend on council house sales. See also answers to A. (iv) and (v) on the unit costs of management and maintenance.

- (viii) What evidence do you have on the extent of the problems of default by tenant purchasers? To what extent have you repurchased from tenants and what difficulties and costs has this involved?

Evidence shows that tenant purchasers do not default to any greater extent than families assisted by the local authority to purchase private houses. Since 1966, over 17,000 houses have been sold to sitting tenants and, of these, less than 2 per cent. have been repurchased, partly because of default but mainly because of matrimonial problems. No difficulties have been experienced in repurchasing properties and it is the Council's policy to assist tenants who fall into arrears of mortgage by offering them alternative rented property.

- (ix) What consideration has been given to the impact of sales on other policies and programmes, e.g. employment, inner cities, social services and education?

It is considered that in the early years the sale of houses to sitting tenants will have little effect on other policies and programmes. To the extent that owner occupiers are more mobile, it could be held that purchasers would have a wider choice of employment. To the extent that less families with young children will transfer out of flats, then the need for schools on older estates may be reduced.

- (x) What is the impact of sales on local planning strategies, e.g. concerning local needs, second homes, retirement migration and employment and other objectives in planning policy?

It is not considered that the change in the pattern of tenure will have any significant effect on the local planning strategies in Birmingham.

- (xi) Are there any particular local advantages and disadvantages?

None.

- (xii) (If New Town) How does the sale of New Town owned dwellings affect the various social and employment objectives of the New Town?

Not applicable.

- (xiii) Have properties been sold as vacant dwellings or below construction cost without discount? If so, how many? What is known of the characteristics of the purchasers?

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[Continued]

(a) From February 1978, to 31 March 1980, 1,287 unmodernised inter-war houses were sold to tenants (with children) of council flats or other council property.

(b) Since February 1978, the Council have sold houses to sitting tenants at market value where this value is below the all-in cost of provision. No records have been kept of the numbers of such sales but currently the figure is about 5 per cent.

- (xiv) Please give other details of the characteristics of any dwellings which have been sold (their age, size, type, desirability and spatial distribution). How are the characteristics of the public sector housing stock changing under this and other influences?

The percentage of types of houses sold since 1976 are as follows:—

	2-Bed	3-Bed	4-Bed	5-Bed	Total
Inter-war Houses	2.63	37.26	0.62		40.51
Post-war Houses	10.05	43.78	4.21	0.03	58.07
Acquired Houses	73 (Bedroom types not available = 1.42%)				1.42
					100.00

The properties that have been sold are predominantly family houses and the majority of sales have occurred in the suburbs and not the Inner City areas. When properties were sold in the period between 1966 and 1972, newer houses on the periphery of the City were not sold — presumably because tenants could not afford them.

Since 1976, when the Council recommended sales, a wider range of houses has been sold and this is accounted for partially by inflation and partially by the fact that houses can be sold at valuation where this is below all-in cost of provision.

- (xv) What evidence do you have on the extent and timing of resales of former council dwellings?

Houses sold since 1976 are still covered by pre-emption and are therefore not coming on the market for resale. No evidence is available of houses sold in the previous period ending in 1972 but a number are coming onto the market for resale once the five-year pre-emption period has expired.

- (xvi) When former council properties are resold, what role do they play in the market? Do they form a low price stock of houses? Who buys them? What effect would you expect in future?

The number of houses sold by the City Council in the periods prior to 1972 form a relatively small percentage of the total stock of private houses in the City and houses offered for resale form a very small part of the private house market. To the extent that they are available, they must contribute to the stock of lower price houses.

Because the Council is not involved in the resale once the pre-emption period has expired, nothing is known of the characteristics of the purchaser. As owner occupation increases on council estates, the effect will be to enhance the values of those houses which have been sold.

- (xvii) Is there any evidence of households not moving out of the council sector in order to buy because of the prospect of buying as a sitting tenant? Is there a loss of casual vacancies because of this?

There is little evidence on this subject but the indications are that purchasers are established tenants who are not looking for a move to private accommodation but are purchasing because they regard owner occupation as more advantageous than a continued tenancy.



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[Continued]

*C. Background Material*

- (i) What is the present size of the dwelling stock in your area and its tenure composition? How have these changed over the last 20 years?

The current Housing Strategy Statement shows that at 1 April 1979, there were within Birmingham:—

137,980	local authority dwellings (plus 15,896 outside the boundary)
10,300	housing association properties
1,000	other public sector
222,550	private sector
<u>371,830</u>	

This compares with the totals given for Birmingham in the 1961 Census:

115,907	local authority
7,264	private rented — furnished
65,706	private rented — unfurnished
116,812	owner occupied
10,494	tied and other
<u>316,183</u>	

Greater details of the situation will not now be known until the results of the 1981 Census are available.

- (ii) What estimates are available of future housing demand and supply by tenure in your area?

The Housing Strategy Statement refers to the overall shortfall in the City reducing between 1979 and 1984 from 16,000 units to 1,500 units. The 1979-1984 new build programme is given as:

Local authority new build	4,600
Housing association new build	5,320
Private new build	6,750
	<u>16,670</u>

- (iii) Is it your current policy to sell council houses? If so, please give full details of your current sales policy.

The current policy with regard to the sale of council houses is as follows:

*Sales to Sitting Tenants**Properties offered for sale:*

All properties are offered for sale with the exception of one bedroom bungalows and pre-war houses converted into four bedroom accommodation. Houses are offered as a freehold sale and flats are offered as a leasehold sale for 125 years.

*Discounts*

Less than three years' tenancy	30%
Three years' tenancy	33%
Four years' tenancy increasing by 1 per cent p.a. to maximum	34%
Twenty years' tenancy or more	50%

This is subject to discounted selling price not being below all-in cost of provision. Where all-in cost of provision is higher than market value, the sale is at market value.

*Pre-emption*

A five-year pre-emption clause is included on all sales.

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*Sale of Empty Houses**Sale of Unimproved Inter-war Houses*

Two and three bedroom type houses are offered for sale to any council tenant with a child(ren).

*Discounts*

Purchasers may choose whether to take a 20 per cent. or 30 per cent. discount, depending upon a five- or an eight-year pre-emption clause respectively.

*Sale of Improved Pre-1919 Acquired Houses*

These houses are sold at market value to any first-time buyer with a housing need living in the City with no pre-emption clause.

*Shared Ownership*

Newly built houses are sold to first-time buyers with a housing need living in the City at market value with no pre-emption clause.

Housing Department

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COUNCILLOR C V WILKINSON,  
COUNCILLOR H McCALLION, MR R J WESTLAKE,  
MR W S PAGE CBE and MR J T LANGSTONE

[Continued]

### Examination of witnesses

COUNCILLOR C V WILKINSON, Leader of the Council, COUNCILLOR H McCALLION, Chairman of the Housing Committee, MR R J WESTLAKE, City Housing Officer, MR W S PAGE CBE, Chief Executive, and MR J T LANGSTONE, Chief Accountant, Housing Finance, Birmingham City Council, called in and examined.

#### Chairman

907. Thank you very much for coming. May I say at the outset we appreciate there has been a change in Birmingham since written evidence was given. May I ask to what extent you would wish to qualify or change or amend the written evidence already submitted to us?

(Mr Wilkinson.) Mr Chairman, the evidence that was produced, as I understand it, was produced by Mr Westlake on a purely factual basis. As you might imagine, we have gone through it. As far as we are concerned, the facts as stated are accurate. Obviously, Chairman, you will appreciate there is a different political emphasis in the policy. The Members of the Committee may or may not know that since we have come to power we have, in fact, stopped the sale of council houses currently.

Chairman: We were aware of that.

#### Mr Winnick

908. Why have you stopped the sale of council houses?

(Mr Wilkinson.) The reason we have stopped them is because we believe that the use of the council housing stock in order to satisfy housing need is important and it is not just a question of those people who are on the waiting list, it is a question of people who have existing housing who may want to change, people who grow elderly and may wish to change the style and type of housing to suit their needs in a better way. It is fairly obvious to us from long experience of housing management that unless the local authority has a wide opportunity and a wide housing stock to use it is impossible to satisfy the needs of the tenants over the course of their life. Secondly, of course, we are not opposed to owner-occupation. In fact, we support it and would wish to encourage it, but there are substantial numbers of people in Birmingham—currently our waiting list is 13,000 and rising—who do not have the opportunity, for one reason or another, to enter into the owner-occupied sector, and they really do look to us to provide them with decent housing.

For those reasons we do not sell the housing stock that has been built for rent.

909. You may have been listening (I am not to know officially) to the previous evidence. The Chairman of the GLC was rather sceptical about housing waiting lists; he seemed to say, in effect, it does not reflect genuine demand. How far do you think your housing list, which seems a very formidable one in Birmingham, reflects genuine need?

(Mr Wilkinson.) Prior to the election we would have been sceptical that it reflected genuine need. We have made what we feel is an important change. We have allowed single persons from the age of 18 to register. We have not said currently that that automatically gives them the right to have some accommodation, but what we believe is that until you give everybody who wishes the opportunity to register the chance to do so you cannot gauge the size of the problem. Having done that, one should not just take naked figures and say "That is a clear indication of need", of course, because people change, their jobs change, and their situations change. So because somebody registers one day it does not mean to say they are forever on the list. We always look closely at the list, update it, and try to keep it as an accurate assessment. I would say the fact that it is rising is an indicator of need.

#### Mr Scott

910. You would accept, would you not, that the sale of council houses does not add or subtract one house or flat from the total store of housing in Birmingham, it simply changes the tenure?

(Mr Wilkinson.) I would accept it does not add to or subtract from the total stock, but what I do not accept is that it does not add to or subtract from the use of that property over its life of some sixty years because to us the re-let situation is extremely important and a very valuable part of our housing management function.

911. Nevertheless, you have a total demand for Birmingham over that period

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and a total supply of housing in Birmingham over that period; it is only the nature of the tenure that really changes. I can understand from a management point of view of your housing stock obviously there is some reduction in re-let from the point of view of the people of Birmingham, but it does not alter the supply and demand situation.

(Mr Wilkinson.) Supply and demand are altering all the time, are they not? People are coming and going. New people are born. If we look at statistics, household formation is increasing although the size of the population is going down, and stock changes because we have new building, we have clearance. So it is a changing and fluid situation. I believe my Chairman of Housing wants to add something.

(Mr McCallion.) The void rate for our stock is running at an average of 4.7 per cent., so when we say there is not any loss, the rate at which houses come back into our management through people dying, moving away, and things like that — if we take during the period houses were sold from 1968 to 1972 and from 1976 until 1980, an eight-year period, then there were 20,000 houses sold, so if we take 4.7 per cent. of 20,000, we are talking about 940 houses that would otherwise have been available to our letting pool that are not now available because of the policy of selling houses. As our leader said, you have to make the best possible use of the stock in a large industrial conurbation like Birmingham and there will always be a need for rented accommodation and we are not in a position to make the best possible use, and at a time when building has stopped we do not have those 940 re-lets which we would dearly love to have at this point in time. We feel as a straight arithmetical calculation that is a fairly factual situation, Chairman.

Chairman

912. In the written evidence on re-lets it was said the people buying the council houses were tenants who were satisfied, settled, not likely to look for a transfer. Can you tell us what evidence there is to support that or contradict that assertion?

(Mr Wilkinson.) On the practical side, I would ask Mr Westlake, our Chief Housing Officer.

(Mr Westlake.) The number of voids

has not reduced. In fact, it has been going up steadily for the last five years. Furthermore, we have done some research into the reasons for leaving: during the period when we were not selling houses in 1974-75 but were offering mortgages freely to people to buy houses privately the number of people leaving council houses then was less and it has, in fact, gone up now we are selling houses freely. So last year or the year before when we were selling council houses freely but had very little availability of money for mortgages, the number leaving was still the same. So the conclusion we drew from that was that people who were looking to buy houses were going to get out anyway, they were not going to buy their council house, they were going to buy in the private market. Those who bought their houses were, in fact, the people who were satisfied with the houses they were living in. They only wanted change of tenure.

Mr Sever

913. Going on from what Mr Scott said earlier and Mr Westlake's response, we are not only talking, are we, about a change of tenure; we are talking about a change of ability, if that is the word, of people to select what kind of houses they prefer. For example, if they are in the public sector and require to be an owner-occupier, they can go to another market for an owner-occupied property, i.e. the open market in housing which is not short of properties for sale, certainly over the last few years, without having to go to the local authority and have their stock: so we extend Mr Scott's argument a little by saying we are not only talking about tenure but are talking about moving people around from different markets?

(Mr Westlake.) My answer was to demonstrate that people were buying who were settled tenants looking for change of tenure rather than change of house. Furthermore, there is this evidence that people are now buying at discounts with maximum subsidies for tenants of long-standing.

(Mr Wilkinson.) I think, Chairman, the point Mr Sever was making is absolutely true, that the sale of council houses has not added to mobility because it is clear from what Mr Westlake says that people who are buying were going to stay there probably in any case. It is clear from our other plans, although

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obviously now we are not able to offer the mortgage opportunities we were in the past, that there is a good market for people who wish to buy and a wide variety of opportunity for them to buy on the private market.

Mr Scott

914. Does not the answer we have had render invalid the mathematical calculation we had earlier, applying the 4.7 per cent. to the number of council houses sold, because they would not have had the same void rate in that section as in the overall stock?

(Mr McCallion.) If I may come back on that one, the arithmetical calculation was put forward to prove the point, or disprove, if you like, the point Mr Scott is making, that there is not any loss as such because somebody lives in there. I was merely pointing out in the arithmetical calculation it is a loss in the ability of the local authority to meet the total needs and place the emphasis on needs of the local authority in that area. We take the view that the local authority has the umbrella responsibility of meeting, as far as possible by owner-occupation, and providing mortgages and various other things, the housing need, if you like, of the City of Birmingham, not just council tenants.

915. I do not want to labour the point, everyone accepts there is some loss of re-lets, I do not think that is in dispute. You were rather imprecise about the number of re-lets lost, in fact, because, if we take the number of people who would have been expected to stay in those houses for a long time in any case if they remained tenants, the figure is probably substantially less than the one you gave the Committee.

(Mr Wilkinson.) No, it is not actually. We have done a precise figure calculation for this. It shows in the first few years your point would be correct. In the first three or four years it is lower than 4 per cent., but after that the graph shows it rises to something like 10 per cent. return so over the period it is a very accurate assessment of the re-let position. We have discounted this factor of people being stable so it is an accurate statement; it is not changed by

Mr Johnson-Smith

916. How was that done? It is an

interesting point that has been made. How did you make this calculation?

(Mr Wilkinson.) The actual technique of doing it? I do not know whether Mr Westlake can explain.

Chairman

917. Perhaps that is something that would be better submitted in the form of written evidence which would be easier for us to assimilate.

(Mr Westlake.) I do not think it was precise but it was on the evidence of the length of time an average tenant stays there. When we looked at this it was not very precise. From the evidence we have got of the length of time people are staying in properties and the fact that people are buying, it was not the period we wanted to get at anyway, but the evidence was after ten years the rate then substantially accelerated, again to make up for the shortfall, as one would expect, in the first few years because the 4.7 is an average city figure. As you say, the average figure will be lower for those households.

Mr Winnick

918. Could you give any information about the type of properties which have been sold? Have they been concentrated in certain areas? Are they, as they are described, perhaps the better type of council dwellings?

(Mr Wilkinson.) This is another of the factors, of course, when determining policy. In fact, it is true to say that we are selling the three-bedroom and two-bedroom houses with garden towards the outer ring, and one of Mr Westlake's colleagues has plotted on a map of Birmingham where housing sales over the years have gone. Crudely speaking, it is a circle outside with a black hole, if you like, in the centre and, in fact, we can show that the percentages are greater on the outer ring and grow less in the inner ring where you have more people of lower income and one-parent families. They do not have the same opportunities and so, as you say, that has an effect on the distribution, if you like, of people at the lower income end.

919. The better type of council dwellings have certainly been sold off?

(Mr Wilkinson.) That is correct. We do not sell well with some. The demand for flats is negligible.

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920. Have you been selling flats?

(Mr Wilkinson.) We have sold a few and Mr Westlake will give you the precise numbers, but in terms of the number of flats we have it is miniscule and there is no demand for flats. It presents very serious management problems when you sell them anyway.

921. What will happen when — as will almost certainly be the case because of the Government's majority in the House of Commons — the present Housing Bill becomes law and there could be a wish on the part of a number of tenants living in flats to buy? How will you cope with the situation as regards management where some will buy and some will not?

(Mr Wilkinson.) Well, we have discussed this in the Housing Committee; obviously one has to set up some form of management and we would make certain charges. Obviously the revenue costs of lift running, grass cutting and things like that have to be accounted for. One would imagine there would need to be some form of apportionment of those costs. Then you have to take into account the longterm possible major structural work like major roof repair being required and there may have to be a sinking fund. Perhaps Mr Westlake could tell you in more detail how we have done it with the one or two flats we have sold.

922. Could Mr Westlake also give some sort of figure for a council tenant buying a flat? How much will he have to pay in maintenance costs?

(Mr Westlake.) I can let you have those figures, Sir, I have got them somewhere but not at the moment. The position is that the local authority associations and the AMA, which I advise, are very strongly concerned about the effects on local authorities of having to make these sales under schedule 15 or schedule 18, or something of this sort, and we met the officers of the Department of the Environment who to some extent reassured us and tried to convince us that to some extent our fears were groundless. Instead of having to keep individual costs for each block of flats which would be disastrous for local authorities because we do so many things on an area basis, we were assured that nothing in the Bill would prevent us from apportioning these out as long as we could demonstrate the overall costs were reasonable and could also build up a fund in there against such things

as Councillor Wilkinson mentioned, lift replacement or major roof replacement. Birmingham tackles it at the moment by building into the lease a figure which is increased annually equivalent to the cost of living index. We have done this and this is one we tried to suggest to the Department of the Environment people they might adopt. I think it has great problems because some local authorities might well load this too heavily to the stock of flats. I can see the problem. Birmingham did this and it has been acceptable for a number of flats; solicitors have accepted this form of lease.

Mr Dobson

923. You say that you have been advised by Department of the Environment officials that under the provisions of the Bill you would be able to produce a pooled figure for the cost?

(Mr Westlake.) Exactly, as long as it was not too wide, presuming we had to demonstrate over a number of blocks of flats — not just the city-wide figure. So as long as we had our costing to an area or group of flats we could apportion we would not have to show individual costs for each block of flats. That is what we were assured.

Dr Mawhinney

924. Can I follow up something which Mr Winnick raised with Councillor Wilkinson? You said that there was a distribution of sales towards the suburbs and not in the centre and you attributed that to poorer families and one-parent families and so on being concentrated more in the centre. What steps have you taken to assure yourselves that the values that are being placed on the properties in the centre are actually realistic values? It is easier, I suspect, for people to see realistic values when there is a garden and so on attached to a house in a suburb than perhaps if it was a house towards the city centre. Secondly, if you are concerned, as I get the impression you may be, about being left with council dwellings predominantly in the centre, what more imaginative schemes do you have in mind should this Bill become law to make these properties more attractive homesteads, if you like, to tenants in the inner city areas?

(Mr Wilkinson.) First and foremost, one should not imagine that the inner city of Birmingham is all old properties and, therefore, requiring a lot of modernisation. We have over the years, some may say

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rightly, others may say wrongly, probably been in the forefront of clearing slums in Britain. I think we have a bigger and wider programme than most, so a lot of our houses in inner areas first and foremost are houses with gardens, but they have been built in latter years so their actual cost is higher. We have been selling at market value, not cost, and in some cases the differential between cost and market value is quite considerable even in the inner areas; so the prices have been quite high. Now, we used the private sector valuers when we were selling council houses to do the valuations, we have not done them ourselves. As I understand the valuation business though, it is more of an art than a science. I think there is a term in the industry which is a "30 mile an hour valuation" which means you drive past and make an assessment. I do not know how accurate that is. We did use private valuers to assess prices, we did not do them ourselves and so mark them up. I think it is an inexact science. Many of my colleagues have complained bitterly that they have seen a house valued at £X and three months later a similar house down the road has been sold at a considerably higher price: they felt the private sector valuers had valued too low. Perhaps Mr Westlake can go into more detail as to the mechanics of valuation than I can.

(Mr Westlake.) I would hate to do that, Sir. Can I just add one thing to that? The inner areas we have looked at and have got figures for are in the main modern post-war houses built from post-1947 in the Birmingham redevelopment programme. It is interesting that the figures at Shard End, which, as Mr Sever will know, is a pleasant suburb of the city, by no means exclusively private, actually council owned, show sales of 30 per cent. whereas in other inner areas — these are almost all post-war houses — the figure is as low as 4.8 per cent.

(Mr Wilkinson.) I am sorry, Chairman. I think I failed to answer one point: the question of more imaginative schemes. We have — and we claim to have invented the scheme although it was pinched by the Department of the Environment — the PIMS, purchase and improvement mortgage scheme (I think the D of E pinched it with its AIMS), in which the opportunity arises for people to move in and improve houses with grants and we allow them to buy with some form of discount based on actual costs discounted for the grants

system. So we have introduced that, that is still going ahead, and is still supported.

(Mr McCallion.) We are not against the Department of the Environment pinching our schemes, they have all our good schemes, and therefore if they ever get good schemes we will pinch them. The point about these difficult estates and the pattern of people buying is this: I live in and represent a large municipal estate called Kingstanding which is about 95 per cent. local authority owned. This is an inter-war estate about fifty years old and it is a pleasant estate they are nearly all primarily three-bedroom houses with back and front gardens so the demand for purchase there is a lot higher and I think the percentage of sales there is, in fact, around 17 per cent. which is much higher, and the demand is much higher for purchase, than in the inner areas because people want to move from the inner areas to live in the outer suburbs like Kingstanding. So the percentage there is very high and the percentage wanting to buy is very high indeed, although this presents, as we will no doubt come to later on, a tremendous number of management problems.

Chairman

925. Could we go back to the purchase, improvement and sale policy? Can you tell us how many have been completed and are those sales included in the figures for sales shown in the written evidence?

(Mr Westlake.) They are not in the sales of council houses. As far as the purchase and improvement mortgage scheme is concerned it is in several hundreds rather than thousands, but certainly we have had problems initially over valuations but the scheme essentially is one where we go in and buy the house, or maybe already own the house, we do the work, we offer the mortgage and sell at a valuation. If the all-in cost is less than the valuation, then we can discount it but normally, of course, the all-in cost is considerably higher than the valuation and at the moment the Council is picking up the difference on the revenue account. Under the Bill we shall receive some assistance. I will supply you with the figures, Mr Chairman.

926. Could I turn to the financial aspects of sales? We have had from both the Department of the Environment and CIPFA a suggestion that the approach to assessing the financial effects of council house sales does not in any way follow that

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approach by the Department of the Environment. We were wondering whether Birmingham has done any calculations on the lines of the D of E appraisal as to longer term effects and, if so, what the results were?

(Mr Wilkinson.) Mr Westlake will answer on the actual figures we have got. All I would say is as a politician over the years I have seen a wide variety of assessments of the cost of benefits of the sale of council houses. I have never seen two that are the same and I could pick holes in most. Mr Westlake will tell you what we have actually done.

(Mr Westlake.) We have always taken the view that there was no future in trying to make assessments, there were so many variables. We have already taken the view in our committee reports, which I can submit as evidence if you wish to see them, that the only thing we can say with any precision is as to the effect in the first year on the housing revenue account. We have kept away from all sorts of other arguments, what the effect is on the general situation in public finance, or the national situation. We have merely confined our efforts to looking at the overall position of the housing revenue account, and that we can deal with reasonable precision, beyond the matter of speculation as to future rents, all other costs and other matters. The subsidy, of course, has a very wide importance on this. As we said in our evidence, houses which are sold which were built prior to 1945 almost invariably show a profit in the first year, or a gain in the first year, to the revenue account; houses sold after that time are more likely to show a loss.

(Mr McCallion.) Like Councillor Wilkinson, I have read at least half a dozen in favour of saying or saying that there was an advantage — a financial advantage — and at least half a dozen saying all the evidence has always been the other way. I am very sceptical of that one. We are far more concerned in Birmingham with the social side of it rather than the financial side of it. The one thing that attracts me, Chairman, is one which is very current and pertinent at the moment, the cost of building. The average cost of building a house in Birmingham at the moment is £22,500. The average sale price in an area like that which I have just mentioned, Kingstanding, of a three-bedroom house with gardens is about

£10,000 at valuation; on a 50 per cent. discount that then becomes £5,000. If under the Bill we are allowed to use half those capital receipts we will be allowed to use £2,500 towards replacement costs of £22,500.

Dr Mawhinney

927. Could I ask Councillor McCallion if he would let us have in writing the names of these dozen reports half a dozen in favour, half a dozen against? I think it would be useful for us to have a chance to read them all.

(Mr McCallion.) The Department of the Environment, Mr Murie, Nottingham, two up north — there are so many. You have obviously all seen them, Chairman. There are various reports. The D of E have done two, for instance, the Centre for Regional Studies has done at least one and there is one in Nottingham. There is no shortage of financial evidence around. We tend not to bother too much with it because it is so imprecise.

Mr Winnick: In due course you will be able to read our Select Committee's report!

Mr Dohson: And still get no further!

Chairman

928. The written evidence did not deal with shared ownership or equity sharing in detail. Could you tell us to what extent there were sales in that and whether you found any particular problems arising from it?

(Mr Wilkinson.) As I said at the beginning, Chairman, I am a great believer in the owner-occupier, I am one myself, it is the right form of tenure for me. Everybody who wants that opportunity should have it as far as I am concerned, so once again we would claim in Birmingham that we invented the shared equity scheme, we started it and got it moving. That is our claim and we stick by it. Mr Westlake will give you the up-to-date figures but I think we have sold close to 500 houses on the shared equity scheme. I think we commenced it about 4½ years ago and at that time something in excess of 140 have now purchased the total amount. My own personal belief, supported by a lot of colleagues, is that this is an extremely valuable way to enable people who really do wish to become owner-occupiers, and who currently cannot get a mortgage and be living in private rented accommodation or with in-laws or with the local authority, to move into owner-occupation. So we



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support it fully. The tragedy is, of course, currently, if we do get a reduced HIP, if we have it this year and it continues on the money available to buy the houses from the private sector, as it were, the opportunity of shared ownership will be reduced. I do not know whether Mr Westlake has the up-to-date accurate figures.

(Mr Westlake.) So far we have sold 444. It is interesting that of those 119 have now bought the freehold, so it is truly a stepping-stone to owner-occupation; over a quarter have now been able to buy full equity.

929. Of those 444 how many were former council tenants?

(Mr Westlake.) I do not have those figures available. In the initial figures we did on the first scheme it was a very high percentage. We have the breakdown of the workers. It is interesting that 55 per cent. were skilled and some semi-skilled, so it is certainly a cross-section of the people buying them. It certainly appears to be a way of getting people into home ownership who otherwise could not afford it.

930. Have you had any problems arising whereby people found they got into financial difficulties?

(Mr Westlake.) No more than average. I have not got actual figures. We have some obviously and some in the rental area on rent arrears. We do a package and collect rents, rates and mortgage repayments.

(Mr Wilkinson.) Can I say, Chairman, we would not use shared equity to sell council houses and rented stock. The system we started off was to purchase from the private sector their own stock, what they build, and then use that to sell off on a half-share basis.

931. Can you give us an indication of the arrangements under which you modernised in the interval houses that were sold?

(Mr Wilkinson.) Yes, Mr Westlake will tell you the details of that.

(Mr Westlake.) Yes, Sir. These were houses which were built between 1919 and 1939 in the main, which had outside WCs, which did not have modern facilities. It would have cost somewhere in the order of £900 to do basic repairs and something of the order of £7,500 each to improve, and they were offered to existing council

tenants with at least one child. Of these about 75 per cent. of people came from flats to buy them.

932. How many of those were sold?

(Mr Westlake.) About 2,000, Sir.

933. Do you know what has happened to them since improvements have been carried out?

(Mr Westlake.) Yes. In many cases they have carried out improvement work on a do-it-yourself basis.

934. Have any of them been subsequently sold?

(Mr Westlake.) We have no evidence of that, Sir; there is no pre-emption, we have no way of finding out unless we did a survey.

(Mr McCallion.) Can I elaborate a little on this one? Since we took control of the Council we have stopped selling these because we felt very strongly that these were in a different category even to the ordinary sales to sitting tenants as far as we were concerned. There were about 1,500 of these per year and these were houses that came back into our management, of course. That 1,500 was the most active part of our stock, all your re-lets and allocations and transfers and things like that took place in those. There was always an allegation that these were difficult to let; since coming back to control of the Council we have brought back about 350 of those that had been out, some of them for a very long time — up to 12 months — with estate agents in a very badly vandalised condition. We brought those back and in the month I have been in charge I have managed to get them all inspected, and we have now let about a hundred of those so-called very difficult to let properties. We have let about a hundred of those and are well on course to let the remainder within the next month. By and large we have let these to people who have the greatest housing need. I think that defeats the argument that these are difficult to let properties.

935. Have you had to modernise before you let?

(Mr McCallion.) No, just an inspection. We are letting them in the condition they are in. A very small number are badly vandalised, so badly vandalised obviously that they will have to be modernised or

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certainly repaired. Those will not be available for letting for some time but the very big majority, about 85 per cent., are available for letting with some repairs and obviously with quite a bit of decorating to be done by the people who are taking them when, in fact, we have no difficulty so far in letting the so-called difficult to let properties.

936. Are you reflecting in the rent in any way the fact that they have to carry out that work?

(*Mr McCallion.*) We have always had a system of giving a rent allowance to people going into properties. This has been done for a very long time. Currently we allow £35 per room as a decorating allowance. That is not given to the tenant in cash but it is given as rent allowance so we are letting these in exactly the same way as we do our normal lettings. There are no additional amounts of money being made available. In fact, there was a very good story in the local newspaper recently of a chap prepared to go in and do the repairs himself and do the decorating as necessary from a very, very nice flat he lived in.

Dr Mawhinney

937. Can I ask you about the staffing of the housing department? I gather from what you say it is not all that sensible to ask you about projections because you find projections hard to make about activity selling and the like, as to which I think some of us would share your views, not least the Secretary of State. Can you tell me what sort of staffing levels there were in the department when it was selling, how they compared with the levels when they were not selling, and what attempts were made to reduce them under both circumstances and what difficulties there were?

(*Mr Wilkinson.*) I think we can give you some statistics. We would bear in mind, of course, that while houses were sold we also had a building pipeline so there was new accommodation coming out of the pipeline to be taken into management at the same time as we were selling. Mr Westlake will give you the statistics.

(*Mr Westlake.*) Are you asking, Sir, whether there is any reduction in staff following the sales of houses, or are you saying, did we have to put extra staff on for the sale, or both?

938. Either way. What were the staffing levels under the two different conditions? What attempts were made to reduce them under both conditions? Where were the problems?

(*Mr Westlake.*) The number of sales over the last four years has been more than offset by the new acquisitions and new building, so the actual number of management staff — the people on the ground — is exactly the same. In fact, there are 4,000 more tenancies at the end of 1979 than there were in 1976 so the thing is roughly in balance. As far as sales are concerned, we have had to put on extra administrative staff to carry out the sales of the houses. These have not been reduced at the moment because there are 2,000 or 3,000 sales still being processed through. There is no question at the moment of reducing any of the sales staff still busily engaged on tidying up the sales arranged prior to May.

Chairman

939. To what extent will your HIP allocation enable you to continue the replacement of sold houses?

(*Mr Wilkinson.*) Unfortunately it will not. For the first time in the history of the City we are in a position where we have let no contracts in the City of Birmingham this year for new build. There may be the odd one or two, but I think we are in serious difficulties. I know Councillor McCallion was telling me on the way down that our HIP allocation is even more difficult than we first imagined so it is really, as far as we are concerned, a disastrous situation for the City of Birmingham, with a waiting list of 13,000 and rising, and no new building let to contract.

Dr Mawhinney

940. Could you spend all your HIP allocation last year and the year before?

(*Mr McCallion.*) Yes, there was overspend last year.

941. And the year before?

(*Mr McCallion.*) Underspend the year before, for a particular reason, a conscious decision of the then controlling party to cut back very substantially on house building anyhow and sell the land, but this year there is an overspend.

Mr Winnick

942. But the Secretary of State's reply,

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I suppose, would be, first, that it is a matter for local authorities to decide how they spend whatever money they receive; secondly, by selling council houses you will get money and, if you want to build, you can use that money. What would be your response to that?

(Mr Wilkinson.) I think in this case Councillor McCallion has made the point earlier, has he not? The actual capital receipts that we will get will be very insignificant compared to the current cost, which is rising. Obviously HIP is a programme that is much wider than new build, and we have got improvement in the inner areas, we have got insulation programmes and all the rest of it, all of them very important to our citizens. To try to distinguish between those priorities is virtually impossible.

Mr Dobson

943. Could I go back to the starting point? Did Mr Westlake make any assessment of how many additional staff he would need if he was going to be forced by the new Bill to start peppercorn sales of flats?

(Mr Westlake.) I did not, Sir, because we still, as I said, have the staff in post from the previous sales which we are still tidying up. If those staff are reduced, I will need the equivalent number of staff replaced because we are selling peppercorn flats already.

(Mr Wilkinson.) We were.

(Mr McCallion.) On staffing, Chairman, I know from bitter experience of living on an estate like the one I live on that where you do sell houses you have far greater management or estate management input because recently I had a case — it was my advice bureau this week, Tuesday night — where somebody came along and I found they lived next door to somebody with a 9-year-old dog and because this person has now bought the house that 9-year-old dog is now a nuisance for some reason or other. So people do for a variety of reasons start falling out with each other and you therefore have a bigger input because the people who are settled and are buying their houses were not necessarily nuisance cases before but when they have bought they suddenly find that what was acceptable to the neighbour next door before is not now acceptable, so there is far greater management input. Can I say the man next door to me bought his house and his chief aim

for a long time seems to have been territorial aggrandisement in taking over part of my garden. If that is happening to the Chairman of the Housing Committee, you can imagine what it is like through the whole of Kingstanding.

Mr Sever

944. I have heard of politicians being on the fence, but shifting the fence is something new.

(Mr Wilkinson.) I think it is true to say — Mr Westlake will correct me if what I say is inaccurate — that it did cost us money. We did try to recover a small proportion of the overheads on the sales but it did cost the local authority money to run the sales programmes.

Mr Johnson Smith

945. On the question of the valuation of the properties for sale, I think the figure given was about £20,000 for building new ones and they were selling for about £10,000. What can be done about the actual valuation itself? Can it not be revalued? Is that not rather low? I know I come from the South East and we consider our prices very high in comparison, maybe too high, but it does seem that £10,000 is a very low price for the sort of property offered for sale.

(Mr Wilkinson.) Some have even lower values than that. Mr Westlake will tell you the techniques used.

(Mr Westlake.) The policy of the Council when selling houses is that each two years on a two-year contract basis they appoint a representative of the local estate agents' profession, a chartered surveyor or someone from ASVA whom they nominate. All practising estate agents in these areas selling private houses each has an area to sell and instructions to sell at full vacant possession value, disregarding any improvement the tenant may have put in and taking into account improvements the local authority have put in. So there they are, and we find it very difficult to argue with this as the full market value.

(Mr McCallion.) One point is that the estate agents do not get paid unless there is a sale. So it could be argued by some mischievous person — not by me — that perhaps a low valuation would result in a greater number of sales, and that has been argued in certain areas.

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COUNCILLOR C V WILKINSON,  
COUNCILLOR H MCCALLION, MR R J WESTLAKE,  
MR W S PAGE CBE and MR J T LANGSTONE

[Continued]

Dr Mawhinney

946. Before we leave staffing, can I put a helpful question and ask you if you are aware of the new legal document which the Peterborough Development Corporation has drawn up for selling houses to its sitting tenants which speeds up the process and makes it less necessary to take on staff because the time element is reduced by virtue of the legal device used? Are you aware of this? If not, could I commend it to you as a way perhaps of affecting your staffing requirements?

(Mr Wilkinson.) Before you do, does that mean it is breaking the solicitors' monopoly? Because if it is, we would certainly look at it.

(Mr Westlake.) Can I say, Sir, we have streamlined our sales by using the agents to sell for us, and one of the effects of the Bill will be to slow down the sales because — I mentioned this to Mr Finsberg — clearly now we are going to have applications back at valuation stage so that we can make a statutory offer to the tenant of the house. At the moment, or rather what happened previously until May was that the estate agent was briefed to sell the house if we had an inquiry from the tenant; he was given a brief to value the house, he had all the discounts, all the other things with him to calculate the selling price, it came back to us as a potential sale at a figure, so we were given the valuation, the discount, and we merely had to check; where the tenant wanted a mortgage, the agent would have done all the discussions about mortgages with the tenant; so we were doing this. Furthermore, we had negotiated with the local Law Society that we gave an indemnity to all the solicitors and purchasers — an indemnity of title. There were no contract procedures at all and I think we negotiated a very low rate, about £25 — I have not got the actual figures. It was £25 to £35 — I think it has just gone up — for carrying out the whole work that was done on these places. So if Peterborough's system is more streamlined it would be interesting to see it. I have not seen it, that is the short answer to your question. Our system was pretty streamlined and it will unfortunately take longer now under the Bill.

Mr Sever

947. Can I bring Councillor Wilkinson back to what was almost a throw-away line a few sentences ago which was, if I

understood him correctly, that Birmingham is, in fact going to produce no new council house building in the forthcoming year, or very little?

(Mr Wilkinson.) We are not putting any more houses into contract. The pipeline is long so there will be houses that are currently going into the pipeline, starts are being made, there are houses three-quarters built and houses coming out at the end, but this year we will not be letting to contract new contracts because we do not know but it is fairly clear, I think, that we are going to have less HIP next time. With a payment system if you let something you have to have money to make a first payment, maybe in the next financial year.

948. Therefore presumably the new build going on in the Birmingham area will be primarily in the foreseeable future that which is produced by the private market. We will see tracts of land, such as exist in my constituency of Ladywood, where three-bedroom houses are going for something like £27,000 which will only be available to those who can obviously come up with mortgage agreements to cover that, which will preclude an enormous number of people who are looking for accommodation in that area but not in that income bracket because they are inner city areas. Is that going to be an on-going problem or is there some solution to that?

(Mr Wilkinson.) In a sense crystal ball gazing is always difficult, but all I can say to the Committee, Chairman, is this: if in fact we do not get a big improvement on our HIP programme to enable us to start new build schemes, we are searching very hard to make savings this year in other areas or watching for slippage and underspend to try to get some new build. Really Councillor McCallion is having to concentrate in his new build scheme on accommodation for the elderly; I think in five years' time we will have something like 7,000 to 8,000 more elderly people wanting that type of accommodation than we currently have. This is a very serious problem in Birmingham. If the HIP programme is not improved the new build obviously will be putting forward our areas of what we need; if that is not forthcoming and the current situation appertains, then what you have outlined could very well be the case.

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COUNCILLOR C V WILKINSON,  
COUNCILLOR H MCCALLION, MR R J WESTLAKE,  
MR W S PAGE CBE and MR J T LANGSTONE

[Continued]

Chairman

949. Could I pursue the point about accommodation for the elderly? Written evidence expressed concern about that. Can you tell us what proportion of the properties that are suitable for the elderly are excluded from the right to buy provisions of the Housing Bill, what proportion would be within them?

(Mr Wilkinson.) Yes. The former controlling Council did allow sales of old people's bungalows and, as I understand it, there was some form of pre-emption that enabled them to be bought. Mr Westlake had better tell you about it.

(Mr Westlake.) Under the present arrangements we have come to recognise that there is a shortage of old people's accommodation and old people's bungalows are specifically excluded from the sales. The problem is much of the stock we built, one-bedroom flats and one-bedroom bungalows suitable for the elderly, occupied by the elderly will not, as we understand, be excluded from the right to buy. We feel this could cause problems and it depends on the amount of stock. As we understand it, except for the purpose-built accommodation for disabled people and accommodation which we have where there are wardens or other social facilities attached, the properties will not be excluded.

950. To what extent do you think the provisions for guarantors in the Housing Bill will actually increase the rate of sales of old people's accommodation? You have allowed for guarantors in the past so you have some experience.

(Mr McCallion.) Can I come in on that one? We have been so liberal, if you like, in the use of guarantors in Birmingham that I could not envisage anything in that direction that is going to make it a lot easier for people to buy. We did start off in Birmingham by saying only some single sons and daughters who had always lived at home and could normally be expected to be over the age of 35 would be allowed to be guarantors. As sales did not reach expectations that was brought down to 30.

Then it became 25. Then it became virtually just sons and daughters, they did not have to be single sons and daughters. The rules of the game were changed so substantially that when the previous controlling party in Birmingham lost control the situation was that anyone who had the financial resources, who had the income necessary, could be a guarantor for any elderly person wishing to buy their property. I cannot imagine anything in the Bill that is going to improve, if you like — or whatever the word is, Chairman, on that.

951. Did you find in effect married sons and daughters were enabling "grandma" to buy?

(Mr Wilkinson.) Absolutely. Can you imagine the situation where you got the possibility of buying a three-bedroom house that was currently valued at something like £10,000 and you could get 50 per cent discount on it? If you imagine the appreciation in value that was going to occur while the elderly person remained there — remember, we were giving a 25-year mortgage to 85-year-olds, that is the ludicrous position — The Housing Chairman tells me we were giving them to 90-year-olds. One could believe, of course, that a lot of people saw the financial advantage to that and did take advantage and I think will make considerable capital profits in the years to come. It is a great pity. I can also envisage that they will want to see their elderly mothers and fathers buying bungalows. Bungalows are very desirable units of accommodation and it is very worrying that those bungalows, once purchased, will not come back into the stock.

952. Thank you very much. May we thank you again for having come and for the evidence you have given? We are grateful. We may, I think, want to prevail on you further by sending you some written questions arising from the evidence. I am sure we will continue to receive, as we have already, your co-operation.

(Mr Wilkinson.) You will indeed, Chairman.

TUESDAY 8 JULY 1980

Members present:

Mr B Douglas-Mann, in the Chair

Mr G Johnson-Smith  
Mr N Miscampbell  
Mr N Scott

Mr J Sever  
Mr D Winnick

QUESTIONS AND ANSWERS TO THE DEPARTMENT OF  
THE ENVIRONMENT FROM THE ENVIRONMENT COMMITTEE

*Question 1:* What is anticipated to be the extent of sales under the provisions of the Housing Bill over the following periods:

- (a) Next year.
- (b) The next five years.
- (c) The next 10 years?

We expect there will be approaching 50,000 completions of sales in the financial year 1979/1980; it is reasonable to expect a surge of applications for purchase in the period following the enactment of the Bill which will add to that figure of completions in 1980/81 and later years. But it would be misleading to attempt to give a meaningful estimate for a particular year or for the longer term.

*Question 2:* How is the take-up expected to vary amongst local authorities?

The Department is not in a position to forecast what this pattern will be. It is reasonable to assume, however, that sales will be highest where authorities have been refusing to sell. The increased take up after enactment may be least where authorities have already taken full advantage of the consent issued in May 1979 and would have been selling on the terms proposed in the Bill for over a year. A number of authorities are only selling certain kinds of dwellings and there is presumably some pent up demand for excluded categories, such as larger houses and flats, in these areas.

*Question 3:* What is the expected net effect on public expenditure over the following periods:—

- (a) Next year.
- (b) The next five years.
- (c) The next 10 years?

We do not know the number of sales that will take place nor what use local authorities will make of the receipts which they receive or what plans they or the Government may make for public expenditure on housing or generally.

*Question 4:* What modifications to the projection of housing demand and need by tenure and the extent to which they are met contained in the Housing Policy Green Paper of 1977 are necessary in the light of the Housing Bill? In particular how are the estimates of flows of households between tenures expected to be affected?

This is essentially a question about demand for housing in various sectors and cannot be answered for reasons given in the letter to Mr Douglas-Mann\*.

*Question 5:* What effects are the provisions of the Housing Bill expected to have on new building in the public sector?

\*Not printed.

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We cannot say. It is up to local authorities to decide within their overall allocation for housing investment programmes how much new building to undertake.

*Question 6:* What effects do you expect sales to have:—

- (a) On the price; and
- (b) On the availability of credit for house purchase?

The price and availability of credit for house purchase depends primarily on interest rates generally and the competitive position of building societies. Even therefore if we knew the number of sales that would take place with building society mortgages we could not estimate what effect they would have on the price and availability of credit.

*Question 7:* What effects are sales anticipated to have on the distribution of income and wealth?

It is impossible to say but by enabling council tenants like others to benefit from the capital appreciation made of housing sales should distribute wealth more widely.

*Question 8:* To what extent is it anticipated that the provision for 2 year options to purchase will be taken up? How is this likely to affect the net public expenditure of the Bill?

Meaningful estimates cannot be made at this stage.

*Question 9:* What effect are sales likely to have on the rents paid by tenants who do not purchase?

The setting of rents is a matter for individual authorities. The experience of those authorities which have sold appreciable numbers of council houses is that there has been an immediate and substantial benefit to the Housing Revenue Account.

*Question 10:* To what extent is it anticipated that flats will be sold on a leasehold basis under the provisions of the Bill?

Meaningful estimates cannot be made at this stage.

*Question 11:* What is anticipated to be the mix of flats and houses:—

- (a) In the council dwelling stock.
- (b) In lettings becoming available in 1980 and in the year 2000 if the provisions of the Bill remain in force?

It is impossible to say. We do not know the mix of flats and houses which will become available for letting in any one particular year nor the extent to which they will be sold in either category.

*Question 12:* What effects on HIP allocations are likely under the "one half" rule?

Paragraphs 8 and 9 of the paper already supplied to the Committee on the treatment of capital receipts describe the interaction of housing capital receipts and housing investment programmes\*.

*Question 13:* Do you expect the types of property sold and the types of households who buy to continue to have similar characteristics to those in the past?

The larger discounts now available will bring house purchase within the range of a wider range of tenants than formerly; and the right to buy will give tenants of flats the opportunity to purchase. But it is impossible to estimate realistically what types of property will be sold and the types of households who will buy.

*Question 14:* Do you accept the view that council housing is likely to develop towards

\*Not printed.

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[Continued]

"welfare housing" (providing less popular and less advantageous housing for those with lowest incomes and least bargaining power) as a result of council house sales in the context of other developments in housing policy? What policy consideration has been given to this?

The answer to the first question is "No"; the second question does not therefore apply.

*Question 15:* What policies are being proposed to enable housing need to be met where local authorities have insufficient housing resources to meet the various demands for rented accommodation and to provide some mobility and choice for tenants and prospective tenants and where council house sales (including discretionary sales of vacant dwellings) reduce the number and change the pattern of new lettings?

The Government is giving authorities the maximum freedom in using their allocations. It is creating shorthold; it is making it easier for owner occupiers to let part of their homes; it is giving council tenants the right to sublet and to take in lodgers; and it has asked each local authority to promote low cost home ownership schemes in its own area, as set out in paragraphs 6-19 of the HIP allocation letter. It is allowing authorities far greater use of capital receipts for housing purposes than previously.

*Question 16:* The sale of vacant dwellings directly reduces the supply of dwellings available for reletting. Are there circumstances in which such sales are considered to be undesirable?

There is no compulsion upon local authorities to sell vacant dwellings and they will sell when they consider it appropriate in the light of their own circumstances. The Government expect such sales generally to be beneficial both because they will provide housing for those who wish to be owner occupiers and because they will generate housing capital receipts.

*Question 17:* The Green Paper of 1977 identified households affected by the decline of the privately rented sector and people facing special difficulties in getting suitable housing. How does the Department's present policy, including the sale of council houses, help these households facing the most pressing housing problems?

I refer the Committee to the answers to 15 and 16 above.

*Question 18:* To what extent does the Department expect the sale of council houses to meet the demand for owner occupation?

The demand for owner occupation is impossible to quantify but the Government believe it to be large. The sale of council houses will clearly increase the owner occupied stock and this will help to meet the demand as will other initiatives set out in the HIP allocation letter.

*Question 19:* What other policies to extend owner occupation to households who are at present in the rented sectors have been evaluated in addition to council house sales? For example, what evaluation has been made of the social and financial effects of encouraging tenants to move out of the public sector in order to buy in the private sector.

The Government believe that households themselves are the best people to make judgments about where they want to live, but it is the Government's policy to give sitting public tenants the right to buy, to create the maximum opportunities for low cost home ownership for those who are not sitting tenants as described above, and to give vigorous encouragement to private sector housebuilding for sale generally.

*Question 20:* What information has the Department received of management problems arising as a result of the sale of council dwellings having regard to the types likely to be sold and not sold (especially flats)?

Information available from past experience does not provide any clear indication of the likely effect of the right to buy. The Government believe that people who own their



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[Continued]

homes will take more pride in them and more care of their environment and that their example will encourage others to do so. In the long term therefore there are likely to be fewer rather than more management problems on estates where council dwellings are sold. Detailed consideration has, and is being given to the management issues raised by giving tenants of flats the right to buy.

**Question 21:** What view has the Department taken of the relationship between the policy of the right to buy and of policies being developed concerning allocation and transfer policies, choice and mobility for tenants and difficult to let/management priority policies.

The sale of council houses is complementary to these policies; it gives additional choice to council tenants and enables them to transfer to a housing section in which movement is entirely at their discretion. A statement made recently by the Minister of Housing on mobility in the public sector is attached.

**Question 22:** What consideration has been given to the impact of council house sales on other policies and programmes — e.g. employment, inner cities, social services and education?

All these other policies and programmes should be beneficially affected by the sale of council houses through the willingness of new owner occupiers to spend money on the improvement and enhancement of their property and the greater satisfaction that will result for family life.

**Question 23:** What consideration has been given to the impact of council house sales on other planning and on approved statutory development plans?

There will be very little such impact.

**Question 24:** What proportion of sales do you expect to be financed by private sector mortgages? Do you expect building societies to provide all of these private sector mortgages? What contribution do you anticipate from other financial institutions such as banks, pensions and insurance funds?

We cannot predict either the total amount of council house sales or the number that will be financed by private sector mortgages. But we expect building societies to continue, as at present, to provide for the great bulk of private sector mortgages. Recent experience is that some 30 per cent of council house sales has been financed from private sources including tenants own capital.

**Question 25:** What would be the impact upon the cost and availability of mortgage funds if council house sales rose to:—

- (a) 100,000.
- (b) 250,000.
- (c) 500,000 per annum?

What would be the difference in the impact if:—

- (a) All sales were funded by local authority mortgages.
- (b) Half were financed by local authority and half by private sector mortgages.
- (c) All were financed by private sector mortgages?

The cost of mortgage funds, no matter what assumptions are used about the sale of local authority dwellings, depends upon the prevailing market interest rates and the competitiveness of building societies. The impact of given levels of sales on the availability of mortgage funds depends upon the proportion of private finance assumed to be employed within that figure and upon the extent to which personal savings may be mobilised as opposed to use being made of institutional money. This cannot be predicted.

**Question 26:** Do you agree with the Building Societies Association that loan finance for the purchase of existing dwellings does not affect the use of real resources in the economy? How does this argument apply to the funding of council house sales and the arrangements for local authority use of net capital receipts from sales?

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The sale and purchase of existing dwellings whether financed by a loan or out of savings has no appreciable direct effect on the consumption of real resources within the economy. Essentially, purchase of an existing dwelling simply involves the exchange of existing physical and financial assets between purchaser and vendor. This equally is true of transactions in the private sector and of sales of existing council houses. Transaction costs do however imply some resource consumption.

However, while no significant consumption of real resources is involved, the sale of existing dwellings does have implications for the pattern of resource allocation within the economy. Any chain of sales will eventually involve a "last time seller" who does not wish to use the proceeds of sale to buy another house. There can be no certainty that the final destination of funds in such cases would be the same whatever the size of the market in owner occupied dwellings. This point can be illustrated in the context of council house sales. Under the proposed new arrangements for housing capital expenditure due to take effect in 1981/82, local authorities will be able to use 50 per cent of the capital receipts arising from the sale of council houses to augment their HIP allocations. Whether this would increase the consumption of real resources would depend on how the money was spent.

*Question 27:* Would all private sector mortgages be of the traditional kind or would you expect the introduction of equity sharing mortgages or other schemes which divide the stake in the value of the dwelling between the purchaser and the lender of funds? If so have you evaluated the likely longer term financial social impact upon the purchaser?

We would expect mortgages for the purchase of council houses to be largely of the traditional kind.

*Question 28:* What changes in assumptions, if any, were made between the present paper and the earlier draft mentioned in the press?

Ministers of the present administration have seen neither the paper prepared for its predecessors nor the working that underlay it.

*Question 29:* Could the Department please rework their 20 and 50 year assessments on the assumptions that the present levels of interest rates, price inflation and earnings growth (i.e. MLR 17 per cent, RPI 18 per cent and earnings 19 per cent pa) will be brought down gradually over a 5 year period (1980-85) to (a) the highest and (b) the lowest values assumed in para 23 of the Appraisal document?

1. The calculations asked for by the Committee are set out below. It is, perhaps, appropriate to bear in mind the qualification set out in para 3 of the Financial Appraisal in considering those calculations.

2. To avoid ambiguity, the assumptions are set out in tabular form below:—

Year	Alternative A			Alternative B		
	Interest Rate (%)	Increase in prices (% a year)	Increase in Earnings (% a year)	Interest Rate (%)	Increase in prices (% a year)	Increase in Earnings (% a year)
1	17	18	19	17	18	19
2	16	16½	17½	14½	15	16
3	15	15	16	12	12	13
4	14	13	14	10	9	10
5	13	11	12½	7½	6½	7½
6 and after	12	9	11	5	4	5

3. The calculation about subsidies withdrawn cannot be made within this framework, because it depends on loan charges calculated at the *pool* rate of interest. What is shown is therefore the "combined balance" as in Tables 16 and 17, made up of:—

Selling price

less Present value of rent income foregone

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[Continued]

plus Present value of expenditure on upkeep and management avoided by selling  
 plus Present value of future expenditure on renovation avoided by selling  
 less Present value of tax relief or option mortgage subsidies  
 equals Combined balance.

*Rents*

4. The rent increases implied are:

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 and after
<i>Alternative A</i>						
(i) with earnings	19	17.5	16	14	12.5	11
(ii) As in 1959-79	18.8	17.3	15.8	13.8	12.3	10.6
(iii) As in 1929-79	18.4	16.9	15.4	13.4	11.9	9.8
(iv) with prices	18	16.5	15	13	11.5	9
(v) As in 1969-79	17.1	15.7	14.3	12.4	10.9	8.6
(vi) As in 1974-79	13.5	12.4	11.3	9.8	8.6	6.8
Interest rate for discounting (%)	17	16	15	14	13	12
<i>Alternative B</i>						
(i) With earnings	19	16	13	10	7.5	5
(ii) As in 1959-79	18.8	15.8	12.8	9.8	7.3	4.8
(iii) As in 1929-79	18.4	15.4	12.4	9.4	6.9	4.4
(iv) With prices	18	15	12	9	6.5	4
(v) As in 1969-79	17.1	14.3	11.4	8.6	6.2	3.8
(vi) As in 1974-79	13.5	11.3	9	6.8	4.9	3
Interest rate for discounting (%)	17	14½	12	10	7½	5

5. The rent income foregone, net of rebates and voids, is shown in Table 1.

Table 1. Present Value of Rent Income Foregone By Selling

	Alternative A	Alternative B
<i>Twenty years</i>		
Earnings	7,096	7,469
1959-79	6,919	7,347
1929-79	6,574	7,090
Prices	6,264	6,853
1969-79	5,989	6,615
1974-79	4,981	5,800
<i>Fifty years</i>		
Earnings	13,571	16,421
1959-79	12,604	15,712
1929-79	10,957	14,512
Prices	9,650	13,078
1969-79	8,922	12,313
1974-79	6,470	9,802

*Expenditure on Upkeep and Management that the Local Authority Saves*

6. The rise in unit costs both of supervision and management and of repairs is taken to be equal to one half of the rise in real earnings (see paragraph 2 for assumptions about prices and earnings).

Table 2. Present Value of Savings In Costs of Upkeep and Management

	Alternative A		Alternative B	
	20 years	50 years	20 years	50 years
Low variant	1,775	3,661	1,970	4,906
Second variant	2,380	4,920	2,641	6,596
Upper variant	2,825	5,555	3,107	7,352

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[Continued

*Expenditure on Renovation Avoided by Selling*

7. As in the published Appraisal, average expenditure per dwelling, at 1980 prices, is taken to be either £3,500 or £5,500. To show the sensitivity of the present values to the interval before renovation would have occurred, alternative assumptions of a 15 year and a 30 year interval are taken. The rise in unit costs is taken to be one half of the annual rate of rise in real earnings.

Table 3. Present Value of Costs of Renovation Avoided

<i>Renovation takes place</i>	Alternative A	Alternative B
15 years hence	2,907/4,568	3,386/5,321
30 years hence	2,160/3,394	3,142/4,937

*Tax Relief on Mortgage Interest*

8. The interest rate assumptions used here have special implications for the calculation of tax relief, as there is a different interest rate in each of the first six years. The assumption is made that the mortgage is a variable rate mortgage; and that when the interest rate is reduced, the mortgagor reduces his outgoings and keeps the original term of his mortgage constant (as distinct from keeping up his repayments and paying off the mortgage more quickly, as some mortgagors do).

Table 4. Present Value of Tax Relief

	20 Years		50 Years	
	Initial Mortgage 80%	Initial Mortgage 90%	Initial Mortgage 80%	Initial Mortgage 90%
<i>Alternative A</i>				
Assumption A	1,753	1,972	2,944	3,166
Assumption B	3,188	3,369	4,798	4,979
<i>Alternative B</i>				
Assumption A	1,345	1,514	2,316	2,488
Assumption B	2,136	2,276	3,334	3,474

Note: Refer to *Appraisal of the Financial Effects of Council House Sales*, paragraph 62, for definitions of Assumption A and Assumption B.

Table 5. Twenty Year Summary

	With savings + 8,400	Alternative A Rise in Rents					With savings + 8,400	Alternative B Rise in Rents				
		1955-79 + 8,400	1955-79 + 8,400	With prices + 8,400	1969-79 + 8,400	1974-79 + 8,400		1955-79 + 8,400	1955-79 + 8,400	With prices + 8,400	1969-79 + 8,400	1974-79 + 8,400
Selling price												
Rents foregone	-7,096	-6,819	-6,734	-6,364	-5,969	-4,561	-7,096	-7,247	-7,096	-6,813	-6,615	-5,399
Savings in cost of upkeep and management	+1,775/ +3,425	+1,775/ +3,425	+1,731/ +3,325	+1,773/ +3,327	+1,775/ +3,325	+1,713/ +3,325	+1,576/ +3,167	+1,576/ +3,167	+1,576/ +3,307	+1,573/ +3,307	+1,573/ +3,187	+1,576/ +3,187
Savings in cost of restoration	+2,507 <sup>6/</sup>	+2,507 <sup>6/</sup>	+2,507 <sup>6/</sup>	+2,507 <sup>6/</sup>	+2,507 <sup>6/</sup>	+2,507 <sup>6/</sup>	+2,506 <sup>6/</sup>	+2,506 <sup>6/</sup>	+2,506 <sup>6/</sup>	+2,506 <sup>6/</sup>	+2,506 <sup>6/</sup>	+2,506 <sup>6/</sup>
Tax relief	-1,713/ -2,349	-1,713/ -2,349	-1,713/ -2,349	-1,713/ -2,349	-1,713/ -2,349	-1,713/ -2,349	-1,713/ -2,349	-1,713/ -2,349	-1,713/ -2,349	-1,713/ -2,349	-1,713/ -2,349	-1,713/ -2,349
Balance	-296/ +5,323	-813/ +5,458	+237/ +5,805	+543/ +5,185	+813/ +4,796	+1,875/ +7,778	+422/ +6,029	+747/ +6,291	+1,866/ +6,418	+1,781/ +6,585	+1,679/ +6,503	+2,294/ +7,748

Table 4. Fifty Year Summary

	With savings	Alternative A					Alternative B				
		1959-79	Rate in Realty With prices		1959-79	1979-79	1959-79	Rate in Realty With prices		1959-79	1979-79
Selling price	+8,400	+8,400	+8,400	+8,400	+8,400	+8,400	+8,400	+8,400	+8,400	+8,400	+8,400
Rents foregone	-13,571	-13,404	-10,507	-9,450	-8,933	-8,470	-10,421	-11,712	-14,512	-13,878	-12,313
Savings in the cost of upkeep and management	+3,611/ +5,535	+3,581/ +5,503	+3,681/ +5,603	+3,681/ +5,603	+3,661/ +5,583	+3,661/ +5,583	+4,506/ +7,332	+4,506/ +7,332	+4,506/ +7,332	+4,506/ +7,332	+4,506/ +7,332
Savings in cost of restoration	+2,165/ +4,568	+2,165/ +4,568	+2,165/ +4,568	+2,165/ +4,568	+2,165/ +4,568	+2,165/ +4,568	+3,342/ +5,725	+3,342/ +5,725	+3,342/ +5,725	+3,342/ +5,725	+3,342/ +5,725
Tax relief	-2,944/ -4,272	-2,944/ -4,272	-2,944/ -4,272	-2,944/ -4,272	-2,944/ -4,272	-2,944/ -4,272	-2,316/ -3,474	-2,316/ -3,474	-2,316/ -3,474	-2,316/ -3,474	-2,316/ -3,474
Balance	-4,328/ +2,608	-3,862/ +2,815	-1,715/ +4,632	-868/ +3,939	+308/ +6,607	+2,773/ +9,148	-3,447/ +2,736	-2,738/ +3,843	-1,338/ +4,247	-804/ +6,879	+669/ +8,944

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[Continued]

**Question 30:** In the 20-year appraisal, why has no account been taken of the value of an unsold house in year 20, and of the mortgage payments yet to be received by the local authority where the mortgage term exceeds 20 years?

The 20-year calculation refers only to cash flows occurring during the 20 years. The value, at the end of 20 years, of the house would depend on the course of rents, costs of upkeep and management, and outlays on renovation in years 21 and beyond. These are brought to account in the 50 year appraisal.

**Question 31:** Why has the average rent for all dwellings been used in an appraisal that otherwise concerns only houses?

Statistics of average rents at 1 April 1978, collected by the Chartered Institute of Public Finance and Accountancy (CIPFA) give the following figures: all dwellings, £5.85 a week; all dwellings other than 1 to 3 bedroom flats (4 bedroom flats are not separately identified) £5.87; 1 to 3 bedroom houses (excluding bungalows) £5.93; 1 to 3 bedroom houses plus 4 bedroom dwellings (on the assumption that they are houses) £5.99. The maximum adjustment was thus 14p (£5.99 minus £5.85). Since both the £6.50 average rent for 1979/80 and the £1.50 guideline increase were "round" figures, to use £8.14 rather than £8.00 as the average weekly rent seemed to be spurious precision.

**Question 32:** How would the assessment be altered if sales of flats were to be taken into account?

The reasons for not including flats were outlined in paragraph 12 of the Appraisal. Without information about the selling price of flats and of the charges made to long leasehold purchasers of flats for repairs and services, no worthwhile opinion can be ventured about the effect of including flats.

**Question 33:** How can the assumption of 1 per cent voids in paragraph 35 be reconciled with the assumption in paragraph 50 that no re-let would have occurred until after 30 or 40 years?

Voids can arise when tenants move from one house to another, and there is an interval between the departure of the outgoing tenant and the fresh tenant moving in. The proportion of the stock that is void at any one time for these reasons depends on the frequency of moves and the average length of the interval between the outgoing tenant leaving and the incoming tenant arriving. Moves from one council house to another are just as relevant as are outright departures from the local authority housing. Paragraph 50 of the Appraisal explicitly refers to departures from the local authority housing stock, not moves from one house to another within it. The average rate of turnover through transfers and exchanges is about 4 per cent a year; an average interval of 6 weeks unoccupied would produce a void rate of 0.5 per cent; 3 months unoccupied while renovation work was done would bring the void rate to 1 per cent over 50 years without counting in departures from local authority housing altogether.

**Question 34:** Why is the date of a probable re-let put at 30 to 40 years in paragraph 50 and at 50 years in para 51?

The basis of the 30-40 years is described in paragraph 50 in summary form, and in more detail in the Annex. The "fifty" in paragraph 51 is a proof reading error; "thirty" was intended.

**Question 35:** What evidence is there that the increase in local authorities' renovation expenditure, referred to in para 47, has been devoted to houses which are likely to be sold?

Paragraph 47 of the Financial Appraisal made alternative assumptions about the amount of expenditure on renovations on council houses and from those assumptions calculated the costs which would be avoided by selling. The reasons for those assumptions are set out in the paragraph. But there is no "evidence" that the expenditure has been devoted to houses which are likely to be sold: nor can there be. As was said in the answer to Question

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14, it is not possible to estimate what types of property will be sold; so an estimate of the amount of expenditure on renovation of houses likely to be sold cannot be made.

*Question 36:* How are the existence of the statutory right to buy, and the new range of discounts, likely to affect the loss of re-lets estimated in paragraph 50 and in the Annex?

The right to buy as such is not generally expected to lead householders who would otherwise have moved away to buy a house to buy as sitting tenants instead. Sales to sitting tenants were at a peak in 1972 when moves away to buy were high relative to trend; so whether or not the local authorities will sell at all does not appear to be a major influence on the number moving away to buy. How often the larger discounts now available will lead a tenant who wishes to become an owner-occupier to buy as a sitting tenant instead of moving away cannot be foreseen.

*Question 37:* If the value of sites after 50 years is considered in para 52 to be too uncertain to quantify, why has it been quantified as zero?

No figure for the residual value of the site was included in the Appraisal, because that value could not be realised until a date so distant as to offer no realistic basis for an estimate. A figure could of course be included if assumptions were made about the rate of change relative to the general price level, of site values and clearance costs over a period longer than 50 years. It was thought not realistic to do so when the Financial Appraisal was prepared.

*Question 38:* No allowance has been made in the assessment for the effect of the two-year option to purchase. What effect does the Department consider this is likely to have on the conclusions of the document?

The option to purchase is not yet law, so how widely used it will be is not known.

#### Examination of witnesses

MR P W RUMBLE, Under Secretary (Housing), Department of the Environment, MR G H CHIPPERFIELD, Under Secretary (Housing), Department of the Environment, MR F N GOLDING, Assistant Secretary (Housing), Department of the Environment, and MR A E HOLMANS, Senior Economic Adviser, Department of the Environment, called in and examined.

#### Chairman

Good afternoon, thank you very much for coming. We apologise for the fact that inevitably the work of the Select Committee has been imposing considerable additional work on you and we are conscious of the fact that the time we have been making our inquiries has not been the most convenient time for you and we are very grateful for the cooperation we have received. As you know, we are approaching the conclusion of our taking of evidence for the inquiry into the financial and social consequences of the sale of council houses. There are a number of points which we should like to ask you this afternoon. There will probably be further points which we will not have time to go into and which you would prefer to have the opportunity of dealing with at greater length than is possible in oral

evidence. May I indicate at the outset that we would be very grateful if such questions as we leave to written evidence could be answered as quickly as possible as we are anxious to conclude our inquiry, if possible in the course of the present month.

#### Mr Winnick

953. In order to get things quite clear in my mind could I ask where Mr Rumble and Mr Chipperfield stand in the hierarchy of the Department?

(Mr Rumble.) We are both Under Secretaries heading housing divisions.

954. Yes, that I know. Above you would be a Deputy Secretary would there?

(Mr Rumble.) A Deputy Secretary and then we are of course directly responsible to the Permanent Secretary and through the



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[Continued]

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Permanent Secretary to Ministers.

Chairman

955. Could I start by referring to the written evidence which the Department has given to question 1. You thought there would be something approaching 50,000 sales completed in the financial year 1979-80. Can you tell us whether you now have the actual figures and is it possible to break these down quarter by quarter?

(Mr Rumble.) Yes. The figures are not final at the moment but we can certainly give a fairly accurate statement of the figures. The figures for sales come to about 53,500, that is disposal of all dwellings including some which are disposed of under the equity sharing scheme. The number of houses disposed of by local authorities in the financial year 1979-80 is about 51,000 and the number of flats about 1,150. The breakdown of those figures is: in the second quarter of 1979, the number of houses is 6,900, the third quarter 5,900, the fourth quarter 14,200 and the first quarter of 1980 24,100, making a total of 51,100. There is some rounding of the figures there, you will understand. Would you wish me to give the breakdown of the flats quarter by quarter?

956. Yes, please.

(Mr Rumble.) I will take them in the same order. 140, 180, 320 and 510.

957. The figure for the first quarter of 1980 is interesting. It is 24,100 indicating something approaching the estimate of 100,000 per annum. Does that still accord with your expectations?

(Mr Rumble.) I was not aware that an estimate or forecast of sales of 100,000 houses a year had in fact been made. The figures that we are now looking at are ones which have flowed from local authorities' own decision under the discretionary powers that they have to sell their council houses. The figures for disposals under the right to buy and voluntary sales as to the future, one has made assumptions about this for working purposes but I am not aware that any forecast or estimate of the number of sales in the future has been made, although the Secretary of State did say when he appeared before you on 24 April that he expected, or assumed, something in the order of 62,500 sales in the current year.

958. I am sorry you are quite correct.

What I was quoting was an example rather than an estimate. Have you any reason now to revise either upwards or downwards the estimate given by the Secretary of State in his oral evidence to us?

(Mr Rumble.) I have no reason to revise that figure. It was given a comparatively short time ago and certainly I would expect the Department to stand by that figure for the time being.

Mr Winnick

959. As I understand it there is to be an advertising campaign starting in the summer. Am I right? This will promote the sale of council houses.

(Mr Rumble.) I would not put it quite in the terms of an advertising campaign.

960. How would you put it?

(Mr Rumble.) The Housing Bill Financial and Explanatory Memorandum says that there will be the likelihood of expenditure of about £1 million on publicity in the current year. If I may I would prefer to speak in terms of publicity which is a term used in the Bill rather than advertising.

961. Can you tell us if an advertising agency, not a publicity agency, is to be utilised at all to promote sales?

(Mr Rumble.) An agency has been appointed.

962. What is the name of that agency?

(Mr Rumble.) Doyle, Dane and Bernbach.

963. Would it be possible to ask you how much they are being paid for their services?

(Mr Rumble.) I do not know that figure.

964. Would you be able to find out the figure? Could you supply it to the Chairman?

(Mr Rumble.) There must be a figure.

965. Could I ask that we be notified in writing of how much the agency is to be paid?

(Mr Rumble.) May I take delivery of that question without giving an immediate answer.

Mr Johnson-Smith: We should be careful here of the use of how much an agency is paid. There is often a percentage commission based on the value of the cost of the advertising programme.

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[Continued]

Mr Winnick

966. Perhaps that information could be supplied to us. What I should like to pursue just for a moment is why it is necessary to use an advertising agency. Presumably there will be publicity — I hesitate to use the word advertising because of what you told us — on the television and the radio, am I right? Is that part of the process of publicising the right to buy?

(Mr Rumble.) The form of publicity and the way in which the £1 million will be used, has not yet been decided. Ministers are in fact deciding that at the moment.

967. What surprises me is why it is really necessary to use an advertising agency at all. If there is such a wish on the part of tenants to buy why should public money be utilised in the manner suggested by using an advertising agency and of course all the other expenditure as regards advertising, or call it what you will, on television and in the media?

(Mr Rumble.) It has been the practice over several years and by different governments to give publicity to major provisions within most of the major Bills. Certainly I can recall that happening previously. One can immediately think of the publicity campaign that was given for improvements. So one sees this as part of the responsibility that the Government is taking to inform the public of the provisions of the Housing Bill as it affects them.

Mr Johnson-Smith

968. We have been concerned about the possible impact of rent increases, which seem to us to be foreshadowed in the Government White Paper on Expenditure, and also to be expected arising out of the Housing Finance Act of 1972. That being so, what effect do you think significant rent rises or indeed the expectation of them, is likely to have on council house sales?

(Mr Rumble.) That is an extremely difficult question to answer. I almost feel like saying that it is not possible to predict or assume what effect it would have. No decisions have been taken in detail on the level of future rents. The Secretary of State announced in November his rent guideline for the current year of a suggested increase of £1.50 and then another secondary increase of 60p for the second half of the current year. When he appeared before this Committee he did of course refer to the possibility of an increase of rents in real terms. But as to the level of that

increase no decisions have been taken. When you say what effect might one assume that it would have, again I would not want to forecast this. Clearly it would be something that the individual would take into account in making his judgment but I suspect there are many other factors that he would take into account as well; his desire to own his own house, his desire to possibly improve. So the possibility of a rent increase would be one factor. The evidence that there is is very limited indeed but I understand that when the study was conducted at Birmingham it was certainly one of the responses that individuals made that they saw one of the benefits of home ownership was avoiding an increase in rents. So to that extent there is limited evidence that people have taken that into account in the past. But I find it impossible to predict what the precise effect would be.

969. But would you expect on common-sense grounds alone that if there were to be significant increase in rents this would probably be an encouragement to people to buy? Is the evidence that you quoted from Birmingham the one that was funded by the Department? There has been research funded, has there not?

(Mr Rumble.) Yes, but I do not know whether that was funded by the Department or not. It was research carried out by Mr Murie and I honestly do not know whether it was.

970. Could you tell us anything about research which has been funded by the Department which did not just specifically look at the question of the effect of rent increases and tenants' movement into owner-occupation, it looked at other issues as well? Is there anything you could tell us about that research?

(Mr Rumble.) About the nature of the research?

971. No, its findings.

(Mr Rumble.) We could certainly put in a note about the findings if you wished. Documents have been published. One hesitates about drawing major conclusions from them because the sample related to one city only and related to a comparatively small sample, inevitably, of the totality, and one hesitates to draw major conclusions from it. It is fair to say, however, that the study has influenced us in the view that we have taken particularly about the effect of sales on the loss of relets that the authority

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[Mr Johnson-Smith Contd.]

might suffer. It is frequently argued that one of the possibly damaging effects of the sales of council houses — and when I say possibly damaging I am not saying that is recognised by the Government but it is alleged as a damaging effect of the sales of council houses — is that there is a loss of relets to the local authority. Some of the work that was done in Birmingham does help us to argue very strongly that the number of losses of relet to an authority as a result of council house sales is likely to be extremely small indeed. That is one of the major findings.

Mr Sever: But would Mr Rumble agree that the evidence which was submitted on which those views were taken, certainly in Birmingham, was very very strongly challenged and whilst it may have been accepted in some quarters that the effect was negligible, others held the view that the effect in the short-term may very well have been negligible or less significant than was at first thought, but the longer term view taken of the situation with the advance of more sales would mean that the situation would be much more difficult on the relet situation and the different political group now running the authority in Birmingham, compared with the time when the survey was undertaken, holds a different view of that situation.

Chairman: I think possibly we are looking at a number of other different things. We have the written evidence given by the City of Birmingham and the oral evidence given by the City of Birmingham\* after the election.

Mr Sever: There is some considerable degree of conflict.

Chairman

972. You are talking about the research carried out in Birmingham by Alan Murie and our original questions were directed to research not specifically limited to Birmingham but to research carried out in connection with the Housing Finance Act, 1972, to ascertain the impact of our rent levels as to the movement into owner-occupation? I would be very interested to know whether the Department still has available — presumably it has — the results of its inquiries into the effect of increases in rents in real terms which were carried out in connection with — I am not sure whether it was before or after the implementation of — the 1972 Act to find

out to what extent increases in rents in real terms were likely to accelerate the transfer to owner-occupation? The question of relets is a different one which we have taken a good deal of evidence but if the Department has any information on the impact of rents on changes in tenure we would like to have that.

(Mr Rumble.) If I may I will ask my colleague Mr Holmans to say something briefly on this but my impression is that we have no firm evidence available. Indeed I suspect that the interpretation of any factual information that there was would be fairly speculative. That is my impression.

(Mr Holmans.) We did attempt to study the effects of the increases in rents under the Housing Finance Act on changes in the patterns of tenures, not specifically by sales of council houses to sitting tenants, we had our eye more on what would be the effect, if any, on moves, not only out of local authority tenancies to owner-occupation but also moves from private renting into owner-occupation as against renting from local authorities. This work proved to be inconclusive and the main reasons why it became so was that within two years or so after the Housing Finance Act becoming law increases in house prices and then increases in mortgage interest rates on top of that, increases in costs of entry into owner-occupation which were very large in relation to the 50p a year rent increases which the transition rules of the Housing Finance Act required. Also rapid inflation very soon eroded the 50p increase which looked large and was large in percentage terms when enacted but by the time the increases under that Act were put in abeyance following the change of Government, 50p in money terms was a lot less in real terms than appeared likely when the Act became law and when the research inquiries to investigate its effect was put into train. So the answer, I regret to say, was inconclusive. If it would assist the Committee we could certainly provide a note of what inquiries were made but subsequent follow-ups were cancelled on the ground that circumstances had been so changed by the rise in house prices and by accelerating inflation that it was unlikely a followup would find out anything more than the initial first round did.

Mr Johnson-Smith: I initiated this line of questioning and I for one am quite satisfied with that answer bearing in mind that we are pressed for time and we do know the officials are hard pressed and I would

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not seek to press for further information on that. It is a very convincing answer.

Mr Winnick

973. It has been suggested to us that the very fact that there is such an expectation of very substantial rate increases—and I emphasise the word “very”—coming along in the pipeline almost continuously is bound to have some effect on the sale of houses and therefore people are thinking cynically or otherwise that it is deliberate policy on the part of the DOE to encourage owner-occupation by way of the sale of council houses by high rents?

(Mr Rumble.) I can only repeat what the Secretary of State said to the Committee. It is not the intention to try to force people to become home owners. That was what the Secretary of State said before you and as to the future level of rents I would repeat that no detailed decisions have been taken.

Chairman

974. We would accept that. Accepting that there must be a wide range of assumptions and variables involved, within what range is the Department estimating that sales in the next two or three years might cover?

(Mr Rumble.) In fact we are not estimating or forecasting, even within a range. There have been assumptions made for certain purposes as to the effects, particularly financial ones, of a certain number of houses being sold. But we are not forecasting or estimating within a range as to the future level of council house sales.

975. Do you not feel it would be useful to do so, or practicable?

(Mr Rumble.) Again, when the Secretary of State appeared before you, he said that he thought it was not helpful to give detailed assumptions on several of the matters relating particularly to the public expenditure on housing and to the breakdown of the figures within it.

(Mr Sever.) Some of us might disagree with that I am sure Mr Rumble would accept, but it must be difficult surely, as the immediate months go on, for the Department to answer questions as to what the effect will be of Government policy in this particular area. To only be able to say we have not really looked at it and we are not going to come up even with a guesstimate puts the Department surely in a somewhat difficult situation. One would have thought

on such a major shift of policy that any Government would want to give some indication as to what the effects of its policy might be. Surely this is a bit unusual.

(Chairman.) That is a question for the Minister rather than the officials.

Mr Sever

976. All right, that is a question which should be directed elsewhere but the Department is going to have to carry the can back for it and surely when local authorities are asking for progress reports as to how the policy is going or the general public, or Members of Parliament, or anyone else, wants to know what the effect is, to have no idea of what it is likely to be is surely going to put the Department in a difficult situation.

(Mr Rumble.) I would distinguish, if I may, between being able to inform Members of Parliament, local authorities and the public on what the effect of policy has been, and giving estimates of future levels of sales. Certainly we monitor the level of sales at the moment and will continue to do so. So we will certainly be able to inform you on trends, past trends and factual information. Where the line has been drawn is as to forecasting for the future.

Chairman

977. Can I turn to some of the social aspects? We have had evidence from a number of local authorities expressing their concern about the effect of selling housing which is suitable for the elderly though not necessarily coming with the exemptions from sale under Schedule 1 of the Bill. Can you tell us what proportion of the housing which the Department and local authorities consider to be particularly suitable for elderly people is likely to be exempted from the right to buy under Schedule 1 of the Bill?

(Mr Rumble.) There is no precise figure on the number of dwellings which marry up totally with the definition under Schedule 1 of the Bill. Schedule 1 of the Bill has three tests. First is that if the dwelling is to be exempt it must be one of a group of dwellings. The second is that it should be the practice of the landlord to let them for occupation by persons of pensionable age. The third test is that a social service or special facility is provided in close proximity to help the elderly people. We have not got statistics on that precise basis but there was a study by the Oxford Polytechnic in 1977 conducted for the Department about

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[Continued]

[Chairman Contd.]

the distribution and details of dwellings specially designed for the elderly. They suggested that something in the order of  $\frac{1}{2}$  million dwellings had been specially designed for old people with a residential warden. As I said, that is not an exact comparison but one would assume that probably the majority of those dwellings fell within the terms of the Bill. In addition to that the Oxford Polytechnic identified about 225,000 dwellings that had been designed for the elderly but with no warden. It is not possible for me to give any indication of how many of those are likely to fall within the terms of the Bill. We do not know. But it is that latter element that the local authorities are concerned about. The test will be how many of those dwellings actually fall within the terms of the Bill.

978. Would the 250,000 include effectively sheltered housing?

(Mr Rumble.) That is right, yes. It is the old category 2 definition.

979. But to explore that figure of 250,000 a little further and judging it by the test of my own constituency where we have a very large number of bungalows and small flats in other developments which it is the practice of the local authority to let to elderly people, we have got relatively few sheltered housing schemes. Do you find those figures surprising —  $\frac{1}{2}$  million in effect sheltered and only  $\frac{1}{2}$  million in effect suitable for the elderly?

(Mr Rumble.) A quarter of a million sheltered, something approaching that certainly. The study looked at dwellings which were specifically designed for the elderly and certainly it is the practice of local authorities to let, in addition, a number of dwellings which are of course designed not specifically for the elderly but are earmarked for that particular use. Some of them will earmark groundfloor flats. Something like 40 per cent of local authority households are represented by families whose head of household is over 60. So clearly it must be the practice of the local authorities to earmark dwellings other than those that are set out in the Oxford study.

980. Forty per cent elderly tenants would be something of the order of two million.

(Mr Rumble.) Yes.

981. And only in the region of  $\frac{1}{2}$  million come within the provisions of Schedule 1?

(Mr Rumble.) Yes. I did say that I cannot align the figures precisely but that is something one would expect as the base amount. In addition to that some of the other houses designed specially may in fact be within the definition.

982. But a very high proportion of the accommodation which is customarily let to old people would be within the right-to-buy provisions?

(Mr Rumble.) Yes and certainly Ministers have said that they see no reason why a person should be denied the right to buy because a person is elderly. They have had special regard to the special provision of dwellings for the elderly and just because a person is old it seems to them to be no reason for saying they cannot buy.

(Chairman.) We will leave the political aspects of that as they are not for you.

Mr Sever

983. It is an interesting point when we are talking about what provision, albeit limited for most local authorities, they make for their elderly, it looks as though we might be saying goodbye to half of the stock — if I can use that general phrase. And this is either generally in this grey area of being designed for or earmarked for the elderly. Many of us will know that when we are trying to find accommodation for elderly people the local authority will say, "Well we have not got anything designed for the elderly. We have not got a purpose-built bungalow. But we have got a ground-floor flat or a groundfloor maisonette." In real terms local authorities are in effect earmarking those now for the elderly and those are going to be in the pool for sales presumably and people will have a right to buy. So in effect if that happen we are, are we not, going to dismiss half of what is normally available in one form or another for the elderly into the selling category?

(Mr Rumble.) I do not think that it follows at all that about half of the dwellings that are specially designed for the elderly will be sold. What is happening is that those dwellings will be available for sale to those elderly who choose to buy them. Clearly many of the elderly will not wish to buy — I withdraw the word "clearly" — some of the elderly will not wish to buy and also many of them may not be able to afford to do so anyway. Again if I may return to the Birmingham evidence, there the proportion of sales that went to people of 60 and over was something like 13 per

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cent of the total sales. So I would contest your view that local authorities are likely to say goodbye immediately to half of the figures that I spoke about. Those dwellings are not excluded however and it would be for the individual, if he or she qualifies, to put in his application if he feels he wishes to.

Mr Scott

984. Is it not more complicated than that? Not only can the individual apply but he can get a relative to guarantee that. Looking at it from the point of view of that relative, with the discounts that are available, is it not a very good bargain for them to be able to buy with the benefit of discount and then to acquire total ownership finally vacant possession occurs? It seems to be a very attractive prospect for a son or a daughter or other relative to be able to guarantee that purchase.

(*Mr Rumble.*) The Bill in fact does not provide for the elderly to have a right to advance their claim by way of a guarantor. There is the ability for a secure tenant to ask that three people may be joined with him in his application, if those people have been resident with the secure tenant for up to twelve months. Local authorities have the ability to accept guarantees but it is not a right under the Bill. The provision you have in mind is for joint applications. It is true that some elderly have children and other relatives living with them. Again the figure of 13 per cent is in my mind and I think that something like 13 per cent of those who are over the age of sixty have children living with them. I do not know what the other proportions are for people living with the elderly. As to the attractiveness of the purchase with discount, that is for the individual to decide and not for me to speculate how many people would be likely to take it up.

985. But nobody can be entered into this choice to buy unless they are living with the person at the time?

(*Mr Rumble.*) And have been resident with them for twelve months. That is the provision under clause 4, sub section 2.

Mr Sever

986. I accept what you say obviously but a lot of Members of Parliament are very genuinely worried that whilst that provision exists and may very well be operated in the way in which you interpret its operation, a lot of people nonetheless

fear that an elderly person will say to their sons or daughters that there seems to be a good financial deal here somewhere if we can figure it out. What they will figure out is that one of them or some of them will live with that elderly person for the twelve months qualifying period or whatever it is and then say "Well all right Granny, you can apply to buy the bungalow" or whatever it is. This would be a very desirable property — a house or whatever it is. They would establish that right which the Bill contains under that provision and then in effect make an arrangement with the elderly person and then the house will be lost, in the view of some of us, to the local authority because it has been sold, maybe to a relatively undeserving cause. There is an area, some of us fear, for speculation, an area for unfair applications to the local authority to purchase properties which would not really have been taken up by the individual concerned. Certainly I think that figure of 13 per cent — I am not challenging the figure — is difficult to use for future sales forecasts because the ground rules have changed. We are not talking about the same situation henceforward when the Bill before the House is law, that we have been speaking about in the past.

(*Mr Rumble.*) I accept entirely the point that you have made that previous experience may be no firm guide as to what is likely to happen in the future because we are dealing with a different level of discounts and different arrangements on mortgage facilities and on several aspects and that is indeed why I have hesitated to answer some of the questions that you have put to me. I accept your point entirely. But as to the substance of what you were saying, on that I can only reply that this is an issue that Ministers have considered very carefully, that has indeed been debated at considerable length, as you well know, in committee stage both in the Commons and in the Lords and it is Ministers' policy decisions that the elderly should have the right to buy, apart from those dwellings which fall within the ambit of Schedule 1. That is a policy decision.

Mr Johnson-Smith

987. Might I move on to another subject which arises out of the Catholic Housing Aid Society and concerns the question of what type of properties are likely to be sold. In their evidence to us on

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page 198 they said a statement had been made by the Minister for Housing and Construction that research in London and in Leeds showed that—and I quote—"a fair spread" of properties" had been sold. You will find the reference in the official report of our proceedings at paragraph 2.1 page 199, six lines from the end. They went on to tell us that the research had not been published and they hoped that we would have the benefit of that research because it seemed to contradict their own research. Their research had concluded that so far as properties were concerned in Leeds three-quarters of the sales had involved post-war houses and a close analysis of the sales of council house dwellings in Leeds led them to conclude that the most favourably located dwellings had in fact been sold. What research do you think the Minister was referring to? Could it be made available to the Committee?

(Mr Rumble.) The Minister was in fact asked a Parliamentary Question about research last November and did in reply say that the Department had not undertaken research into the sale of council houses in London and in Leeds. I think that the reference that was made here was to a remark that was made during the press conference when the consultation document on the right to buy was published. My recollection is—I hesitate about this—not that the Minister in fact used the word "research" but certainly that there was discussion about assessment that had been done in London and Leeds. There was questioning at that stage of the Minister. The references were to observation and experience in those authorities. As far as Leeds is concerned I believe that they have in fact supplied you with figures which do not form part of the evidence here and probably enable a view to be taken as to the range and types of property that have been sold. My understanding is that both post-war and pre-war property has been sold, ranging from two to four bedroomed properties. So to that extent a fair range of property has been sold I suggest.

988. There is a spread of properties?

(Mr Rumble.) Yes, there is a spread.

Chairman

989. We have Mr Rumble's own evidence as to the number of flats that have

been sold. We have a good deal of evidence on that.

(Mr Rumble.) If I could pass an aside on flats, however, they are a bit misleading because, whereas the majority of local authorities are selling council houses, possibly something like 20 authorities are selling flats at the moment and so the figures as to possible demand or the number of flats that are likely to be sold drawn from the figures that I have quoted this afternoon may well be very misleading. May I return for a moment to the question of London which was the other city referred to? On that, what the Minister has said is that the argument that only the best houses will be sold is contrary to the experience of home-owners up and down the country. He then went on to give as an example the substantial demand there was, and I believe continues to be, for home-steady schemes that the GLC offer, where, by no stretch of the imagination, could those properties be described as the best properties.

Mr Scott

990. Are they all houses in the home-steady schemes?

(Mr Rumble.) I do not know whether the GLC have offered flats as well. I would have to provide information on that through the GLC.

Mr Winnick

991. The Catholic Housing Aid Society in fact gave us an analysis of the various districts within Leeds and gave us figures about the sale of council houses. It would appear that the larger proportion of houses were certainly sold in the more attractive areas and less so in the inner city parts of Leeds. Would you be particularly surprised if that was so?

(Mr Rumble.) I would prefer not to comment without having studied the details of this. I did notice that when Leeds themselves gave evidence before the Committee they said something to the effect that the CHAS had drawn their conclusions on limited evidence. At this stage I would not want to be drawn in to act as arbiter between CHAS and Leeds.

Mr Scott

992. We have had evidence that there is a provision that people may initially be housed in tower blocks or in other, subjectively, less desirable housing when

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they are first housed by local authorities and then they get on to a transfer list and look forward to be housed in houses with gardens or certainly more desirable properties and because those are precisely the properties that are more likely to be sold off that process is likely to be hampered. Have you studied that process at all, what has happened in the past and how seriously do you take the problem?

(Mr Rumble.) The answer to that depends upon conclusions that one draws from limited evidence but which does suggest, as I was saying earlier, that the effect of the sale of council houses on the loss of relets is very limited indeed. Both Birmingham<sup>1</sup> and Allerdale<sup>2</sup> in the evidence that they gave to you did suggest that when a person purchases a dwelling he is likely to stay there for some length of time. Equally we have limited evidence that the characteristics of the people who buy houses are people in their middle age, 40 to 60 if I may use that definition for middle age, who are likely to stay there for some time and who would have been likely to stay where they were if they had been tenants. So the possibility of people moving in from high flats into houses which certainly the middle-aged have been occupying, we would argue from those deductions is limited indeed.

993. Can you put a figure on it?

(Mr Rumble.) No, I cannot.

994. Some people have put a percentage figure on relets.

(Mr Rumble.) Yes, certainly one can. There are certainly figures of relets to new tenancies. In 1979 or 1978 — I stand to be corrected on that — the figure of relets was 170,000. That is about 3.7 per cent of the total stock. The argument that has been used is that it is those relets which will be lost to the local authority if houses are sold. That is the view which is not accepted by the Department for reasons which are set out fully in the financial appraisal which has been published. Certainly I will elaborate on those if you wish but they are set out fairly fully in that document. We draw the conclusion, however, that it is a minimal percentage of relets that will be lost and not the 3.7 per cent.

Chairman

995. 3.7 per cent would be somewhat high but we have had evidence from a number of sources that some people buy council houses instead of moving into the privately owned sector independently and that there has been a fall off in the number of people moving out of the council sector as a consequence of the publicity for the right-to-buy provision. Have you any evidence one way or the other on that aspect of the matter?

(Mr Rumble.) There is limited evidence to suggest that in the past people who had the opportunity to buy their council houses were not in fact prevented from moving out and buying in the private sector if that was in fact their wish and that was what they chose to do. Again it is limited evidence from Birmingham but I think that in recent years when there was something of a shortage of mortgages on the open market and the local authority were offering council houses, nevertheless a substantial number of people still moved out into the private sector. Those people were characteristically younger than those people who were buying their council houses. But I would like, if I may, to ask Mr Holmans to comment on what I have just said.

(Mr Holmans.) There is one comment I would like to make about the other source of evidence. We get an analysis quarterly of purchases of houses with building society mortgages classified by their previous tenure, enabling us to pick out those who were local authority tenants before they bought and cross-classified by their age. There have been no changes of note from quarter to quarter during the last year up to and including the first quarter of the present calendar year in the proportion of first-time purchasers that were formerly local authority tenants. If there had been a substantial induced shift of prospective purchasers into holding on to buy as sitting tenants one would have expected the number of ex local authority tenants turning up among building societies' first-time purchasers to fall back relative to new households and purchasers from the private renting sector. That has been looked for but has not been seen.

996. But the overall number of first-time purchasers has fallen so the overall number of people transferring from the local authority rented sector has therefore presumably, if proportions remain the same, also fallen quite significantly?

<sup>1</sup> Printed page 301

<sup>2</sup> Printed page 88



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(Mr Holmans.) Yes, if one is comparing the year ending the first quarter of 1980 with a year earlier, then indeed the actual numbers moving has indeed dropped, but in line with the number of purchasers coming from privately rented accommodation or new households buying.

Mr Sever

997. A lovely phrase "this induced shift" was just used. If that had happened we would have had more people moving about. But in the form of the Housing Bill before the House now we see a massive induced shift programme coming up which will throw all our figures out of gear presumably. People are now going to be induced very substantially by a massive discount and by the whole process being made a lot easier and by a big publicity campaign to induce them to do just that. So surely the argument is going to be a lot more relative because there will be a great deal of encouragement put upon council tenants to buy their properties. I would have thought that the figures, as we established earlier, on the previous ground rules are going to be a very different thing in the future with changed ground rules.

(Mr Holmans.) Yes. The source of evidence to which I was referring is only that one watches it quarterly. One of the first things one looks at when the set of tables comes in is whether the proportions have shifted. One knows already from the monthly building society figures what the total number of building society house purchase loans in the quarter is going to be and one always looks at whether there have been any shifts, not only from the point of view of whether there are any effects that might be attributed to council house sales policy but also for other purposes including whether any particular categories of purchaser have been squeezed out more than others by high mortgage interest rates, for example. I have just been saying that this is a source of evidence after the event about what has been happening and it was not in any way in conflict with what my colleague said earlier about the extreme difficulty and uncertainty of predicting what would happen in the future.

Mr Winnick

998. But to the extent that people who otherwise go to the private sector nevertheless decide to stay in and buy their own council dwelling because of the large discount etc, surely just means additional

problems and difficulties for families living in multi-storey flats whose chances of getting rehoused, regardless of going and seeing their councillor, Member of Parliament etc, will become increasingly worse?

(Mr Holmans.) To the extent that people do not move away but instead stay put to buy for the reasons you have mentioned that necessarily does reduce the number of relets. What we do not know, and the reason why not is the small proportion of all house purchase transactions which are moves out of local authority tenancies into the main owner-occupied market, is what sort of accommodation they in fact leave. Some of them, as far as one knows, have been local authority tenants for only a short number of years and hence to the extent that the houses with gardens do go by seniority there would be comparatively few among them. But the reason I cannot give you a more definite answer is that the national survey of movers which the Department conducted and which did ask about type of house being bought and type of accommodation being left, did not give a large enough sample to analyse the movements out of local authority tenancies into owner-occupation into whether they moved out of flat or house or what size or type of flat or house.

999. But what surely cannot be denied on the very figures that you have given us and that Mr Rumble gave us is that it is certainly not the flats which are going it is the houses. And one would assume it is certainly the houses with the gardens. To the extent that this will actually increase the number of places being sold it means, as it must do surely, that the rented sector will be constantly reduced and the better type of houses — even if you leave aside the argument of what districts they happen to be located in — will simply be sold off. Flats will remain and certainly the multi-storey flats will remain.

(Mr Rumble.) We would challenge the premise from which you are arguing when you say that the figures I have given demonstrate that it is predominantly houses that will be sold in the future. The figures that I have given, as I mentioned earlier, represent sales by something like 250 local authorities. The figures for flats represent sales from something like 20 authorities.

Chairman: Yes, we do take account of that. On the other hand we have, of course, had a vast volume of evidence from local authorities and it is a fair consensus sum-

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many of that evidence that very few local authorities expect that many flats will be sold.

Mr Winnick

1000. Leaving aside the results of the survey of 20 authorities, does the Department consider many of the multi-storey flats will be sold?

(Mr Rumble.) I would go back to the answer that I gave to the Chairman when he pressed me about the Department forecasting the numbers of dwellings that will be sold. We have not forecast either the total number or the categories within the sales that are likely.

1001. Do you have an opinion?

(Mr Rumble.) I have not an opinion. What will happen is that the individuals will have the opportunity to buy the lease of these flats and it will be the individual who exercises his choice. I have not an opinion on that.

Chairman

1002. Can we go back then to a matter on which the Department has made a forecast in relation to the loss of relets? I do not know to what extent you are aware of the evidence which we have received as a Committee but it is a fair summary of that evidence—advisers and other members of the Committee will correct me if I am wrong—that most local authorities anticipate that we shall be rising to a cumulative 3 per cent loss of relets within a relatively short period of time—perhaps five years, perhaps a bit longer, but certainly not over the twenty to thirty year period contemplated in the appraisal. Notwithstanding that evidence, and it is a fairly fair summary of the overwhelming weight of the evidence we have had, does the Department have any further thoughts as to the estimate of the loss of relets contained in the appraisal?

(Mr Rumble.) No. I have tried, as my colleagues have, to keep abreast of the published evidence that has been provided but certainly for the time being we stand by the appraisal and what is contained in the annex to it.

1003. Turning to the financial effects of that appraisal, you will, I am sure, be aware of the comments by the Comptroller and Auditor General\*. There are a

number of points which the Comptroller and Auditor General made covering what he considers to be overestimates in some fields and underestimates in others. Perhaps it would be more appropriate if we asked you to let us have your comments on those points in writing rather than dealing with them in the Committee. But it may be that there are certain short points you would wish to make straightaway on the Comptroller's comments and the Committee will be happy to leave you to decide whether you comment solely in writing or whether you wish to make certain points straightaway?

(Mr Rumble.) If I may I will make three points very shortly. The first of them is that we were of course very pleased when we saw that the Comptroller and Auditor General made, as his first conclusion, that he thought that the appraisal provided a valuable and basically sound analysis of the assumptions which have to be made in order to calculate the financial consequences of a typical council house sale. The second point is that the Comptroller and Auditor General then went on to test and express his view as to the probability of some of the assumptions that were made. In fact we did not present the appraisal making judgments ourselves as to the probability of the assumptions. We specifically said that the ranges were not given to show the bands within which the answer must necessarily lie, but only to give an indication of the sensitivity of the calculations to alternative assumptions. The third point is that—unless my colleague Mr Holmans wishes to comment on any of the detailed points that were made—yes, we would be happy to put in written evidence unless there are points on which you feel we can help you now with an oral comment?

1004. There is one other financial aspect on which I should like you to help us. There does seem to be, in spite of ministerial statements on the point, some confusion about exactly what happens about capital receipts and in particular the extent to which capital receipts can be used in the year in which they are received or whether they have to be carried forward into the subsequent financial year?

(Mr Chipperfield.) The evidence that we put into you on the treatment of receipts of council house sales in February deals of course with some of these points and it has been later expanded by the speech of the

\* Printed Volume III, page 1.

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Minister to the Institute of Housing. A copy of his speech was put in the library last week. If I could summarise the rules on capital receipts, they are that the authority will be able to apply the capital receipts exactly as it chooses, whether it is the redemption of outstanding debt or the financing of new expenditure. In 1981-82—which is the year we are looking at—the resources available to an authority for gross capital investment on a totality of its services will be the sum firstly of its capital allocation, which will be made up of separate allocations for each service block but authorities can of course vire between them. Secondly there is a sum determined by reference to its capital receipts which for most types of housing receipts will only be 50 per cent of the capital receipts and not 100 per cent which it is in other services and in a small proportion of the housing receipts. These are accumulated unspent, i.e. not applied to the redemption of debt or new investment as at the 1st April 1981 and which are actually accruing in 1981-82 whether or not spent. That deals with your specific point which is whether, when the receipt accrues in the year it can actually be spent in the year. The answer to that one is, yes.

1005. It can be spent on debt redemption but can it be spent on a new capital project?

(Mr Chipperfield.) Yes. There is no differentiation.

1006. What many local authorities and others are concerned about is that if the sum is carried forward then in the HIP allocation for the following year account will have been taken of the expected capital receipt or the capital receipts from the previous year in determining how much local authorities are going to be allowed to spend.

(Mr Chipperfield.) There are two points on this. The first is, as the Minister did indicate in his speech, that in the housing field there is 50 per cent which remains with the local authority and that 50 per cent will not be taken account of when distributing the capital sum. The other 50 per cent will in fact be gathered up in advance at the national level and distributed in the HIP allocation in the normal way.

Mr Scott

1007. We have had a number of local authorities who said how difficult they

would find it to operate Schedule 18 to the Housing Bill—collection service charges. This has broadly been designed for the privately rented or the leasehold sector. They will really need extra staff, massive extra expenditure and they are making representations to the Department on that front. Can you tell us how far that has got and whether there are going to be changes or a fresh set of rules for local authorities?

(Mr Rumble.) I think in fact Mr Golding was in the Chair at the meeting and I will invite him to comment.

(Mr Golding.) I was not actually in the Chair but I was there. While the Bill has been going through Parliament we have had discussions at official level with the local authority associations which, I believe it is fair to say, have gone a very long way indeed towards setting their anxieties at rest. What Schedule 18 does broadly is to give long leaseholders of flats which were formerly council flats three basic rights. The first is to see a summary of the costs relating to the provision of services in that block and to look at the documents on which it is based. The second is to be consulted about estimates for proposed works costing above £25 per flat in the block subject to a minimum of £500. The third is to challenge the standard of the works done or the reasonableness of the costs and to challenge those matters in the court. When we discussed these provisions with the local authority associations there was unanimity that it was right for the long leaseholder to have a right to challenge over the services that he is being asked to pay for and that it was right that leases should indicate what people would actually be called upon to pay for and the varying circumstances of the different types of accommodation. It was also agreed that it was right that consultation should be carried out. The main cause of anxiety was that a large number of people in the local authority world had formed the view of Schedule 18 that that schedule would require individual separate accounts to be kept for every single block. But it is not the Department's view that is what the schedule means and indeed there is a reference in the schedule, in paragraph 7.2, to circumstances in which the charges demanded relate also to another building. So we did feel that there was a clear misconception on the part of the local authorities and that it was not the case, any more than it is the case for the large private landlords who are already affected by a rather similar pro-

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vision, that there would have to be separate accounts for each and every individual block. The leaseholder should simply be able to see how the charges incurred were reflected in the demand made of him. Following our discussions, at which we put that view of the schedule to the local authorities, there has not been any further approach from them and the subsequent discussion of the Bill in Parliament has not produced any amendments or discussions designed to take that up.

1008. So there is no question of local authorities being treated differently from private landlords in the interpretation of Schedule 18?

(Mr Golding.) No.

1009. So any large landlord in London who owns a number of blocks will be able to deal with the whole blocks at once and present a summary of the costs in all the blocks to any individual private tenant and that will be sufficient for him to prove that that expenditure was proper and reasonable?

(Mr Golding.) That would be going too far. The essential point is that the tenant has to be shown how the cost of the demand that is made of him is arrived at. That is true whether it results from a large contract covering possibly thousands of dwellings or whether it is a one-off job. That is the position that the tenant has to be placed in is if arguing in any dispute over whether a job has been carried out or whether the charge which is being demanded of him is reasonable. What the Department does not consider is that in order for that to be possible individual separate itemised accounts need necessarily be kept in respect of each separate building.

1010. Is there not a danger that in order to meet the case of local authorities the Department may have neglected to give private tenants the protection which they thought they were going to have under Schedule 18? All right, a council manages all its blocks on a single system presumably but an individual leaseholder in a private block with a landlord with blocks scattered all over London may know what expenditure has taken place on his block but the chances of being able to check up on what has happened in other blocks owned by that landlord and therefore effectively to challenge that expenditure, would seem to be very difficult?

(Mr Golding.) It would be right to say that the genesis of what is now Schedule 18 in the Bill was a desire to strengthen the protections available to private sector tenants over the service charges that were demanded of them. The intention was to give those tenants the three basic protections which I mentioned at the beginning of my previous remarks. It was then decided that it would be right for tenants of former local authority flats where they bought a long lease under the right to buy that it would only be right and proper for them to have the same protections also. So it would be quite wrong to believe that there had been any change in the provisions of what is now Schedule 18 to meet the case of the former public sector tenant. It is not the case that these provisions had been changed other than — I am not responsible for the schedule myself but I believe that it is right to say there have been amendments while the Bill has gone through Parliament — to strengthen, in certain respects which it was decided were desirable, the protection for tenants. It is certainly not the case that there have been any amendments to the schedule which have been designed to take account of the position of local authorities in managing their estates and which might therefore have had the effect of weakening the protections available to tenants in the private sector.

1011. But it might have been possible to further protect the private leaseholder had it not been for the need to protect the position of local authorities as the freeholders of long leasehold flats?

(Mr Rumble.) If I may, I would ask you not to press us on the interpretation of the Bill so far as it affects the private tenant. We are trying to be as helpful as we can certainly on the interpretation of the Bill and boldly saying what some of it means when in fact interpretation is not for us. Our primary responsibility on the Bill is in relation to the right to buy. If it would help you we will take delivery of any questions in relation to the private tenant but would ask you not to press us on them this afternoon.

(Chairman.) That is quite fair. In view of the fact that our inquiry is as to the financial and social implications or consequences of selling council houses and if some of those consequences are that changes have been introduced which would affect private tenants then we would like to look into them. I certainly was a bit

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perturbed with the evidence that was given because my interpretation of the schedule is that the provisions of 90 and 91(a) of the Housing Finance Act had not been significantly changed but that a major factor could be that the costs of a block that the landlord in the private sector is anxious to do a great deal could be loaded onto the tenants of a block where he had already sold the leases. This is something we would certainly like to look into as part of the social consequences. If it is possible for you to give us a written memorandum on this point we should be very grateful.

Mr Winnick

1012. There is conflicting evidence to a certain extent from witnesses about the number of dwellings that would have to be sold in order to build one new dwelling. I know how reluctant the Department is to give an opinion but perhaps we could have your views on that subject?

(Mr Rumble.) I can only say that it all depends. It all depends on what the sale of the house realises. It depends what the costs are.

1013. Let me say to you that some have suggested that in fact it would take about eight to ten council dwellings being sold to the sitting tenant before there would be sufficient cash in many cases to build one new dwelling. Has that view been put to the Department?

(Mr Rumble.) I have not seen it in those terms. The average sale price after discount of a council house is at the moment something over £9,000 — the latest figures that I have in mind. The cost of a new house certainly will not be ten times that for the local authority. I do not know whether the point that was being made to you was that authorities do not get the whole of their receipt immediately and that perhaps something like 30 per cent comes in right away and therefore the capital receipt that they are getting initially, while they are waiting for the repayments, can only be taken in as cash-in-hand to help finance the new house. But even that argument does not run because most authorities finance their new houses by borrowing. I would want to see specifically what had been said to you. It sounds rather an odd argument.

Chairman

1014. The evidence was given us by the Chartered Institute of Public Finance and

Accountancy\*. They gave us evidence which suggested, on certain assumptions depending what proportion of the sales were funded by the local authority and what proportion were funded by building societies, that if one assumes that all the houses sold were funded by the local authority mortgage and allowing only a 10 per cent deposit that one would need to sell 20 dwellings to be able to replace one in the year of sale. But if one assumed that a much higher proportion of sales were being funded by building society mortgages that number would fall. Having stated two extremes the Institute said that they believed that an intermediate position would be more likely to prove typical than the figures of at one extreme two sales providing the cash to provide one house and at the other extreme needing 20. Without actually giving a firm figure they have rather given us the impression that it would take on average something of the order of five sales to finance the replacement of one house in the initial year and thereafter one would of course be dependent on the capital proportion of the mortgage repayments.

(Mr Rumble.) I understand the point better now. If I may, however, I would like to consider the actual words that have been used. Authorities normally finance their new housing totally by borrowing so the relationship between the cash that there is coming in and the expenditure of possibly something like 12½ per cent in the first year by way of loan charges on new dwellings may mean that those figures are right and clearly I respect very substantially what has been put to you by the CIPFA. But I would like to have a look at them and send you a written comment if you wish.

Chairman: We should be very happy to have that.

Mr Winnick

1015. Coming back more to the social than the financial, is it therefore the clear understanding that the dwellings which would be sold off will not be replaced in actual number by local authorities? So the net result of the Act will clearly be a diminution of the rented sector?

(Mr Rumble.) It will be for the local authority to decide how they use the resources that are allocated to them under the housing investment programme and whether they judge that those resources

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should be used to replace a proportion of the houses that are sold will be for them to decide. We were speaking earlier about the number of loss of relets as a result of the sale of council houses and arguing, certainly on our side, that the effect is minimal. If that is so then the number of replacements that would be necessary to take the place of those relets that have been lost would likewise be minimal.

Chairman

1016. Minimal over what period?

(*Mr Rumble.*) I am speaking on the basis of what was said in the financial appraisal that the effect of the loss of relets is likely to be after a substantial period, or will not arise until a substantial number of years have passed.

1017. In the evidence of the Catholic Housing Aid Society<sup>1</sup> it was suggested that the pre-emption powers that were given to local authorities under the Housing Bill would in many cases prove difficult to operate because of limitations on either housing investment programme allocations or indeed limitations by regulation on the sort of properties which could be acquired from the private sector by local authorities. There are two separate questions there. One is the extent to which HIP allocations are likely to increase sufficiently to enable local authorities to exercise their pre-emption rights and secondly—which is a more technical question—has thought been given to the question of whether local authorities would be limited because of the categories of houses which at present they are allowed to acquire or whether they need to be given greater powers in order to use their pre-emption rights?

(*Mr Rumble.*) In fact the point arises already and before the right-to-buy becomes law. In the letter notifying local authorities of their HIP allocations in February this year a block borrowing approval was given in respect of various categories of acquisitions and these categories included re-acquisition of former local authority dwellings previously sold under pre-emption arrangements. Ministers have not given any indication that they will change their policy regarding property in respect of which a pre-emption provision has occurred. That answers your second question. As to the first one, it is for the

local authorities themselves to decide within their HIP allocation whether they use the funds for those pre-emption re-acquisitions or for any other purpose.

Mr Winnick

1018. We had the written evidence of Birmingham<sup>2</sup> and then there was a change of control and we had the oral evidence which was very different. So presumably if there was a change of Government you would be giving us evidence today as to why it would be quite wrong to sell council houses and explaining to us in detail all the defects?

(*Mr Rumble.*) Possibly I should not answer that question, but I did have the pleasure of appearing before the Select Committee to discuss housing investment programmes, when they were introduced, as a Department representative under a former Government. The possibility you envisage has in fact already happened. We represent, as civil servants, and try to do our best to help Select Committees under whichever Government happens to be in power.

(*Mr Winnick.*) I do not dispute that and I think it is an admirable way of going about matters. All that I am saying in effect obviously is that we have heard today the Secretary of State's views and that is how it should be.

Mr Sever

1019. Is it a fact that local authorities are telling the Department of the Environment that they believe that with the policy the Government are pursuing through its present Housing Bill before Parliament after that is enacted there is an argument to put forward that the Government is only looking to local authorities to provide what is commonly referred to as welfare housing? Does the Department receive representations along those lines? Further do you feel that if the various right-to-buy provisions are exercised in large numbers that in real terms what local authorities will actually be providing is only a welfare housing role? I clearly do not wish to draw you into a political discussion but it is something which we are concerned with.

(*Mr Rumble.*) On the factual point as to whether we have received representations, I am not aware of any of them but I would have to ask my colleagues.

(*Mr Golding.*) I am not aware of any.

<sup>1</sup>Printed page 198.<sup>2</sup>Printed page 301.

8 July 1980]

MR P W RUMBLE, MR G H CHIPPERFIELD  
MR F N GOLDING and MR A E HOLMANS

[Continued]

[Mr Sever Contd.]

(Mr Rumble.) In fact the question was put to the Secretary of State in written evidence as to whether the local authority stock would become welfare housing. My recollection is that he answered the first question by saying, no, the second question therefore does not arise. I can only rely on the evidence that he has already put to the Committee. Could I briefly pick up a point that I should have made earlier to Mr Sever when he was asking me about the elderly and was rightly pressing me about the effect on sales. We have been trying to inform the Committee of the latest position of what the Government's policy is on this.

It is fair to say that during the Committee stage in the Lords the question did arise again as to the treatment of dwellings built for the elderly and that Lord Bellwin did in fact agree to take away some amendments that were put down and to consider them.

Chairman

1020. Thank you very much for coming and for giving us your evidence. We are very grateful to you for agreeing to provide us with further information arising from the points we have dealt with this afternoon.

(Mr Rumble.) Thank you very much. We will try to do so as quickly as we can.

## LONDON BOROUGH OF SOUTHWARK

Clerk to the Committee  
Environment Committee

## Sale of Council Houses

I can now respond to most of the points you raised in your letter of 2 April\*. Taking the points in the same order as in your letter, the position on each is this:

- (1) I enclose Tables 4 and 5, reworked on the basis you requested. The Borough Treasurer has asked me to say that, in his view, the Tables as they were originally drawn show the proper accounting treatment of the capital receipt, in that it is applied to reduce debt outstanding on the sold asset and only the net capital receipt included in the financial projections.
- (2) The District Valuer has undertaken to let me have his valuations of the seven properties concerned within the next few days. I will write to you again as soon as I hear from him.
- (3) I explained to the Committee on 1 April that we have no information on tenants' savings and would not presume to ask the people for such information. When I wrote to you on these lines on 3 April, I undertook to see what *general* information my Head of Administrative Services could secure on savings, and I enclose a copy of a note on this prepared by one of his staff.
- (4) The Director of Housing stated in his oral evidence that five houses would have to be sold in order to finance the construction of one new one. However, the calculation on which this statement was based was done before it had been made clear exactly how the proceeds from Council house sales could be ploughed back into the Housing Investment Programme and did not take into account the fact that, *where a sale is financed entirely by a local authority mortgage*, it is 50 per cent of the repayment of principal that can be put back into the HIP, not a sum equivalent to 50 per cent of the sale price. 50 per cent of the repayment of principal would be a negligible amount — about £35 on a house sold for £15,000.

The calculation has therefore been reworked on the assumption that 30 per cent of the financing of Council house sales will come from savings and private sector mortgages. Based on this assumption and the various other assumptions listed in the calculation, we would now estimate that over 13 houses would have to be sold in order to finance the construction of one new one.

- (5) Final decisions on the use of the Council's 1980/81 Housing Investment Programme will not be made until June: these decisions will, of course, need to take account of the further reductions in HIP forecast in the Public Expenditure White Paper. (Certain interim decisions are being made this week on the HIP allocation, but these relate only to those aspects where decisions are urgently required to ensure that we use up the whole of the HIP allocation before March 1981.)

As I see the position, however, we shall be unable to start any new housing schemes in 1980/81 (or in later years), except for two small sheltered housing schemes, which we must proceed with since our Social Services Strategy is based on a community-care approach (instead of building more old people's residential homes) for which more sheltered housing units are essential. There is one new housing scheme which Members will be most reluctant to see deferred (for reasons which I need not detail here), but this could be done only by reducing the major maintenance work which is essential if we are to keep our existing estates (including some which were completed in the early 1960's) safe and sound.

I should make it clear that, even on this reduced basis, we are likely to have to discontinue the improvement of our inter-war estates, which is most unfortunate in view of the need to provide reasonable living standards for the 1980s.

If we can be of any further help, please let me know.

Chief Executive and Town Clerk  
15 April 1980

\*Not printed.



7 Case Studies projected over 20 years — Discount @ 10%

Property	Savings				Losses				Total present value	
	Sale Price	1st/2nd Mngmt Costs	Modern Costs	Total	Rent	Subsidy	Residual Site Value	Total	Profit	Loss
	£	£	£	£	£	£	£	£	£	£
(a) 3 Bed House—Newington	28,000	8,354	1,810	58,164	12,803	20,803	503	33,908	4,998	
(b) 3 Bed House—Plymouth	28,000	8,354	3,000	59,353	7,979	7,773	380	15,982	18,048	
(c) 3 Bed House—Rethels Ave	20,000	3,772	2,817	27,689	7,163	13,813	270	21,245	6,146	
(d) 3 Bed House—Seashell	24,000	8,354	1,810	34,234	12,228	17,772	301	31,299	1,258	
(e) 3 Bed House—Post-war 1960s	24,000	3,772	3,000	30,772	7,781	9,172	311	17,264	28,358	
(f) 3 Bed House—Rethels Ave	20,000	3,772	3,000	36,772	6,000	14,887	385	21,272	9,250	
(g) 3 Bed House—Willow Grove	20,000	3,772	3,000	34,772	6,118	8,865	337	15,320	18,589	

7 Case Studies projected over 20 years — Discount @ 20%

Property	Savings				Losses				Total present value	
	Sale Price	1st/2nd Mngmt Costs	Modern Costs	Total	Rent	Subsidy	Residual Site Value	Total	Profit	Loss
	£	£	£	£	£	£	£	£	£	£
(a) 3 Bed House—Newington	28,000	8,354	1,810	58,164	12,803	19,595	503	32,901	3,000	
(b) 3 Bed House—Blandish	13,500	2,323	3,000	15,823	3,979	4,066	380	12,345	11,478	
(c) 3 Bed House—Rethels Ave	18,000	3,772	2,817	23,589	7,163	15,487	270	22,920	8,080	
(d) 3 Bed House—Seashell	24,000	8,354	1,810	34,164	12,228	17,663	311	30,202	2,062	
(e) 3 Bed House—Post-war 1960s	18,000	3,772	3,000	23,772	3,721	5,132	311	13,164	10,578	
(f) 3 Bed House—Rethels Ave	18,000	3,772	3,000	24,772	6,000	12,190	385	18,575	9,193	
(g) 3 Bed House—Willow Grove	14,250	3,772	3,000	25,022	6,118	7,388	337	13,843	12,116	

Clerk to the Committee  
Environment Committee

### **Sale of Council Houses**

I have now heard from the District Valuer and can therefore enlarge on paragraph (2) of my letter to you of 15 April.

The District Valuer has apparently been instructed by his Head Office that, in view of his future involvement in the scheme for the sale of Council houses, he should not supply individual valuations for the houses which were referred to in the evidence we submitted to the Environment Committee. All he can say is whether he agrees or disagrees with the general level and values quoted to the Environment Committee, and he has been happy to do this. In his view (on the basis of *external* inspection), our figures were on the high side. My Borough Valuer and Property Surveyor inclines to the same view. You will recall that we had only a limited period in which to prepare our evidence for the Committee, and this seems to have been one of the casualties.

*Chief Executive and Town Clerk*  
6 June 1980

[Continued]

## LETTER TO THE LONDON BOROUGH OF WANDSWORTH

Director of Housing  
The Town Hall  
Wandsworth

## Sale of Council Houses

It would help the Committee if you could send me some further written evidence as indicated below:

*Qu.A.(i)*

Would it be possible to improve the estimate of the likely extent of sales (a) by comparing tenants' incomes with likely sale prices and (b) by breaking down the council's stock of properties into those more likely and less likely to be sold?

Failing this, could you estimate what proportion of your tenants are on supplementary benefits or are very low paid, and therefore could not afford to buy even under the equity sharing scheme?

*Qu.A.(ii)*

Would you be able to comment for us on the accuracy of the revised estimates of the financial effects of sales which have been put to us by BRAG\*?

It appears from Statement A that the capital sum to be paid by mortgage repayments is £13,174,000. However, in the assessment of present value in Statement C, this figure is said to be £12,320,000. Could you explain this apparent discrepancy?

*Qu.B.(ii)*

How has the waiting list been changing in recent years? How many households have been rehoused from it, and in what type of property have they been rehoused?

*Qu.B.(iv) and B(v)*

How many more new lettings to the waiting list, and transfers, could have been effected since 1978 in the absence of a sales policy?

*Qu.B(v)*

Are the properties offered under the local transfer system voids, or merely properties occupied by tenants seeking a mutual exchange?

How many transfers have you been completing annually?

How long do tenants in the highest priority categories for transfer have to wait?

*Qu.B(xiv)*

Would it be possible for you to let us have the answers to Qu.B(xiv) on a ward, or better still, an enumeration district basis? Could we also have information on the other social and economic characteristics of these wards or EDs, to help us to see whether, as frequently claimed, it is properties in better areas which are being sold?

*Qu.B(i)*

Would it be possible for you to tell us the dwelling type (ie house, low-rise flat, high-rise flat) and age of dwellings which have been sold?

These questions were prepared before the Meeting and some may well have been covered albeit unexpectedly on the 17 April, eg transfers of tenants in the highest priority categories.

Clerk of the Committee  
18 April 1980

\*Not printed.

## LONDON BOROUGH OF WANDSWORTH

The Clerk of the Environment Committee

## Sale of Council Houses

Further to your letter of 18 April 1980\*, I give below the further written evidence required:—

## Qu. A(i)

I regret that it is not possible to give the information in quite the form requested, but I give information in three parts which I trust will go some way towards a satisfactory reply.

## (a) Price of Council sales after discount:

	Number	%
Up to and including £10,000	94	16.7
£10,050 — £12,000	96	17.0
£12,050 — £14,000	126	22.4
£14,050 — £16,000	96	17.0
£16,050 — £18,000	64	11.4
£18,050 — £20,000	51	9.1
£20,000 +	36	6.4
	<hr/> 563	<hr/> 100.0

The average price so far = £14,160.

## (b) I do not have any detailed knowledge of tenants' incomes, but do know:

Number of LBW tenants	5,164
and assumed to be receiving	
supplementary benefit	<hr/> 5,444
	10,608 = 37% of all tenants, excluding recently transferred GLC tenants.

## (c) In terms of properties likely to be sold in London Borough of Wandsworth stock there is:

Acquired dwellings approx.	5,000
of which	1,200 are houses
Purpose built dwellings approx.	23,000
of which	4,200 are houses
(of which	3,800 are on estates of 50 or more units)

## Qu. A(ii)

The Director of Finance has provided me with the following comments on Table X of BRAG's paper:

Their argument on revised rent figures is based on two points:—

- that the average rent per dwelling for 1979/80 is below the actual average for that year.
- that the 12 per cent increase assumed for 1980/81 was unrealistic given that the Council had already decided to increase rents by an average of £3 per week from 1980.

Point (a) is invalid in that the average rents used in the Council paper have been discounted for rents lost through the net cost of rebates and from an average level of voids.

Point (b) is valid and can be explained by the fact that the Council paper number 9965 was prepared in advance of the decision made to increase rents by a higher percentage than the 12 per cent assumed.

\*Part printed page 349.

[Continued]

The statement below compares the financial effect shown in Statement C with that amended for the higher increase in April 1980 but assuming, as in the BRAG paper, a 12 per cent increase in 1981/82 and 1982/83:—

	1980/81 £000	1981/82 £000	1982/83 £000
Budget reduction shown in Statement C of Paper 9965	270	660	1,190
Budget reduction as amended for actual increase of rents in April 1980	220	560	1,040

The inclusion of a loss of income due to empty properties is not accepted. First, the loss shown is certainly overstated as no account has been taken of this Council's policy of allowing some properties to be tenanted under licence before the completion date of the sale is reached. Secondly, the former Council policy of municipalisation was accompanied by empty properties awaiting tenancing greater than the numbers quoted by BRAG.

The remainder of the items in BRAG's revised estimates have been taken from Statement A of the Council paper. Statement A deals with the capital effect of a sales policy showing the capital surplus of the sale price against the original cost of properties sold in each period. The revenue effect of those sales is shown in Statements B and C as interest received from mortgages, interest saved through the use of capital receipts and debt charges. BRAG should not therefore have combined the revenue effects as in Statement C with the capital effects from Statement A. Also by including the sales receipts less discounts and amounts owing on Council mortgages BRAG have included in those amounts mortgage repayments and yet these have been added in again on the following line. The inclusion of the original cost of houses sold is incorrect because of the capital and revenue distinction discussed above; however, if the intention of the BRAG paper was to somehow evaluate money coming in and going out from selling houses this item is plainly out of place as the money spent on building or acquiring the houses sold was financed from capital many years ago.

The other query raised concerned the capital sum to be repaid on mortgages. Statement C in projecting net present values from the first full year 1982/83 has assumed that the proceeds of sales financed from Council mortgages when discounted will result in a figure equivalent to the full capital sum owing. Statement A shows that the amount owing at the end of 1981/82 is £12,323,000 and at that date £851,000 would have been repaid by mortgagors or received as deposits.

*Qu.B(ii)*

	<i>Size of waiting list at beginning of year</i>	<i>Number rehoused by London Borough of Wandsworth</i>
1973	8,994	191
1974	8,878	88
1975	7,876	375
1976	7,555	561
1977	7,370	698
1978	7,506	523
1979	7,174	160
1980	7,989	

An indication of type of property going to the main waiting list has been obtained for an analysis covering the period January 1978 – June 1979\*.

	<i>House</i>	<i>Low rise flat</i>	<i>High rise flat</i>	<i>%</i>
Waiting list	10%	54%	36%	100
Total	13%	65%	22%	100

	<i>New letting</i>	<i>Post-war</i>	<i>Pre-war</i>	<i>Acquired</i>	<i>%</i>
Waiting list	19%	59%	7%	15%	100
Total	12%	60%	13%	14%	100

\* rounded down percentages.

*Qu. B(iv) and B(v)*

It can be presumed that all sales of new build, acquired houses and flats and homesteads could have been let to waiting list and transfers, and the open market and Housing Association sales after conversion. To estimate how many more lettings could have been achieved, it is necessary to allow for the number of LBW and GLC tenants and persons on the waiting list who actually bought these properties.

	Number	Previous tenure				
		Not known	LBW	GLC	On waiting list	Other, not on waiting list
New build	101	2	36	10	18	35
Acquired	172	3	70	12	21	66
Homestead	53	—	29	1	20	3
Open market	16					
Housing Association	47					

*Qu. B(v).*

The properties offered under the local transfer system are voids and do not include properties occupied by tenants seeking a mutual exchange.

The number of transfers completed annually is as follows:—

1973	615
1974	665
1975	712
1976	904
1977	1,017
1978	674
1979	719

In relation to how long tenants in the highest priority categories have to wait, I stated in my evidence that it is not possible to quote an average time, but that I thought a typical time would be upward of six months. Upon checking this information out subsequently, I find that this is an accurate statement. The most urgent cases are dealt with as quickly as possible, frequently in a lesser period than six months, whilst other cases even although categorised as being in the highest priority may on occasions have to wait a longer period of time.

*Qu. B(xiv)*

The original written evidence gave a table of sales completed by postal district, but I am sorry that that information cannot be translated into details by Ward. In Tooting and South Battersea, followed by Central Wandsworth, and this is a far more relevant factor than the economic characteristics of these areas. In other words, the sale of houses depends simply upon what is available rather than on whether they happen to fall in what might be termed better areas. To make this point perfectly clear, the number of sales given for Putney, which might be classified as a "better area" than Battersea, is less than the number actually sold in Battersea because that is where the properties are available for sale.

*Qu. B(i)*

## Completed sales by type \*

House	437	87%	Pre-war	414	68%
Low rise flat	63	13%	1945-64	56	9%
High rise flat	0	0%	Post 64- Brand new	41	7%
				102	17%
	500	100%		613	100%

Director of Housing  
7 May 1980

\* rounded up percentages.

## SOUTH LAKELAND DISTRICT COUNCIL

Clerk to the Committee  
Environment Committee

## Sale of Council Houses

Following on the meeting on 22 April to give oral evidence regarding the Sale of Council Houses, two questions were left to be answered and I am pleased to provide the information requested.

1. The number of staff directly concerned with the administration of the Council's housing functions.

*Housing Department*

Tenant selection and Supervision and Management	11
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*Treasurer's Department*

Rent Collection	11
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*Technical Services Department*

Repairs and Maintenance	9
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This section also supervises repairs and maintenance of general rate fund properties but in the opinion of the Chief Maintenance Officer 90 per cent of the time is spent on Housing.

Other employees under the control of the Chief Housing Officer are the Wardens at Sheltered Housing Accommodation.

There are 11 full-time wardens.

2. The incidence of requests for transfers to a different type of Council house specifically to purchase the house.

Hard facts and figures cannot be produced. Whilst there are many transfer requests on the book, I can only identify four of these as being specifically to purchase in due course. I suspect others have been less open about their reasons for wishing to move.

I hope this information meets the Committee's requirements.

*Chief Housing Officer*  
1 May 1980

Chief Housing Officer  
South Lakeland District Council

## Sale of Council Houses

1. Thank you for your letter dated 1 May answering two questions raised at the meeting on 22 April.

2. As you will see from the transcript of the meeting, there were further points raised: the Committee would welcome additional written evidence on paragraphs 200, 238, 257, 258, 259, 264 and 265.

3. Elaborating further on paragraph 238: Mr Johnson-Smith wanted to know "What is the average unrebate total payment by a council tenant in South Lakeland, including (i) rent and (ii) rates? What proportion of tenants make a payment for heating to the Council with their rent? What is the average amount of this payment?"

4. The Committee have received written evidence from Allerdale DC to the effect that management and maintenance costs per unit may increase because travelling costs per unit will increase. Do you also consider this to be likely in South Lakeland DC?

Clerk to the Committee  
9 May 1980

### SOUTH LAKELAND DISTRICT COUNCIL

Clerk to the Committee  
Environment Committee

#### Sale of Council Houses

Thank you for your letters of 9 and 13 May\*.

Regarding paragraph 2 of your letter of 9 May, the following information is proffered:

*Paragraph 200.* The periods quoted by Dr Mawhinney 1900-1930, 1930-1950 and subsequent to 1950 are not significant in our eyes and the numbers of dwellings built by Councils during those eras could only be extrapolated by a very time consuming perusal of records of the former eight authorities who joined to form South Lakeland on 1 April 1974. Mr Duff was perfectly honest when he replied to questions 265 and production of the figures requested would be at the expense of other pressing tasks. However, if the information is particularly important, I will let you have it as soon as possible. Perhaps the accurate split of pre and post 1940 dwellings will suffice:

No. pre 1940 - 1667.

No. post 1940 - 5106.

I find it difficult to give any further information on the points raised by Mr Johnson-Smith leading up to question 238. The questioner would appear to be asking for information which we are not able to provide. From question 226 information was given on average rents and the approximate number of our tenants who claim rebate. Details were also provided of rents and rates in the areas of Windermere, Grasmere and Ambleside. To amplify some of the answers given 2,513 of our 6,773 tenants receive rent/rate rebates either from the Council or assistance with payments thereof via the Department of Health and Social Security. In the answer to question 232 some rents are a little higher than stated and are in the region of £14 per week.

We only have a centrally supplied source of central heating in two of our sheltered housing units and I cannot give you the average outlay of our tenants on heating and lighting, etc but this type of outlay is common to occupiers of all types and classes of property - not just council houses.

The figure of £60 quoted by Councillor Ward is difficult to support because the amount of rebate granted to any tenant is not just dependent on his income. His family circumstances, the rateable value of his dwelling, and the age and relationship of any other occupants must be taken into account. As we operate the national scheme the differences mentioned will not arise.

*Paragraphs 257, 258 and 259.* I assume that you wish to have more information than was contained in my letter of 1 May.

The transfer list is made up of 503 families of whom 157 have applied during the past 12 months. It is not possible to identify any appreciable increase in the numbers as being specifically due to the impending tenants right to purchase.

\*Not printed.



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[Continued]

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The number of mutual exchanges approved during the past 12 months was 30 as opposed to 36 during the previous 12 months. I do not feel there is any relevance in these figures so far as the Housing Bill is concerned.

The only important factor seems to be that given in my letter of 1 May, ie four transfer requests specifically to purchase in due course, have been noted. Other transfer requests may be to be that end, but I cannot identify them as such.

*Paragraphs 264 and 265.* Until the number and location of sales are known it is impossible to give any such estimation. In the event of a complete estate being sold then staff savings might be possible but I envisage a "pepper potting" pattern of sales which would not have the same effect. In fact as stated by Allerdale District Council and as I tried to make the point in reply to question 266, the maintenance and management costs per dwelling will doubtless be adversely affected by the sale of Council houses unless whole estates or groups are sold.

The mileage involved in maintaining and managing dwellings in an area such as that covered by my Council, about 155,000 hectares, is very considerable and a vastly different situation to the more densely populated areas. Planned maintenance and rent collections will be far less economical for reduced numbers of dwellings in isolated villages. Additionally, I anticipate that the dwellings which are not purchased are most likely to be those which require a proportionately higher degree of management and maintenance. Tenants who traditionally misuse the fixtures and fittings in their homes are not expected to be the ones who will wish to purchase. Thus management and maintenance costs per unit will doubtless increase if sales are of a "pepper pot" pattern and manpower savings in administration seem to be a very dubious prospect.

I hope these facts answer the queries raised by the members of the Environment Committee, but will try to assist further if necessary.

*Chief Housing Officer*  
20 May 1980

## LETTER TO ALLERDALE DISTRICT COUNCIL

Chief Executive  
Allerdale District Council

## Sale of Council Houses

At the meeting of the Environment Committee on 22 April, when oral evidence was taken from Allerdale District Council, your team agreed to provide some additional written evidence — see paragraphs 290 and 291.

The Committee would also welcome further additional written evidence on the following questions arising from your amended memorandum dated 31 March:

*Financial Aspects*

- (v) In your reply you say you do not expect savings on management and maintenance costs, because sales will be scattered. Would you not expect any savings on materials?
- (x) You state in your reply to this question that in the National Park area, house prices have increased by 50 per cent per annum for 1974–79. This is an increase of 7.6 times. This seems extremely high. How do you account for this?

*Social Aspects*

- (vii) In this reply you tell us that travelling costs per unit will increase. The Committee would be grateful if you could put a figure to these costs as a proportion of your present unit management and maintenance costs?
- (iv) Do you see restricted HIP allocations as a source of difficulty in exercising the right of pre-emption?

Clerk to the Committee  
9 May 1980

## ALLERDALE DISTRICT COUNCIL

Clerk to the Committee  
Environment Committee

## Sale of Council Houses

I refer to your letter of 9 May 1980 and you request for additional evidence. The following statements relate to the four points raised:

*Financial Aspects*

- (v) Yes, there will be savings on materials but bulk buying, storage and handling costs will only give minimised savings to the Council.
- (x) In the National Park area the increase is four times in the five year period. The average annual increase is therefore 33 per cent. We apologise for the error in our evidence.

*Social Aspects*

- (vii) We try to reduce management travelling by a surgery arrangement and in some areas there are arrangements for rent payment which avoid the need for a rent collection round. Rent arrears, property inspection and maintenance can only be undertaken by visits to the house and it is rare in the Rural areas to be able to make a full half days work out of a round of calls. It follows that the sale of some houses will make only an insignificant reduction in staff time and staff travelling. The same applies for small jobbing repairs and the only effective saving will be in relation to repairs requiring some considerable time on site. We cannot answer the question as to actual cost with any useful degree of accuracy unless we undertake a fairly extensive study.

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[Continued]

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- (iv) Yes. The limited HIP in the next few years will be fully committed and opportunity  
& (x) pre-emption acquisitions will be difficult to finance, particularly where, as in Rural  
and especially National Park areas, the market value will be considerably in excess  
of the new build costs. Since only half the benefit of discounted sale proceeds is  
available to add to the HIP we think that a substantial part of pre-emption costs  
should fall outside the HIP (and should, as a matter of equity, attract a substantial  
grant.)

*Chief Executive*  
15 May 1980

## LETTER TO LEEDS CITY COUNCIL

Housing Solicitor  
Leeds City Council

## Sale of Council Houses

1. At the meeting of the Environment Committee on 29 April, when oral evidence was taken from Leeds City Council your team agreed to provide additional written evidence on a number of the questions raised, as you will see from Questions 359, 360, 380, 384, 401, 405, 422, 429, 442 and 451.

2. As foreshadowed by the Chairman in his concluding remarks, there are some other matters on which the Committee will also welcome additional evidence. These are listed below.

*Financial Effects of Sales*

1. In Question 348 Mr Kitchen said that rent income, repair costs, and valuations of council dwellings had all increased faster than was assumed in the assessments by yourselves and by Bernard Kilroy, published in Kilroy's article in *Roof*, May 1977. Could you let us have actual figures for the changes in these variables between 1976 and 1980? This is in addition to the information on rents and repairs which was promised in answer to Questions 359, 360 and 380.

2. In Question 353, Mr Kitchen stated that he had examined the figures for savings in 1979/80 on dwellings sold in 1976/77. Would you please let us have these figures?

*The Mix of Dwellings Sold*

3. In Question 442, Mr Glover indicated that he could provide material on the number of relets and transfers effected under different housing need heads. The Committee will welcome this evidence related to:

- a) the 22 Housing Management Office areas
- b) on transfers carried out
- c) on transfer requests in and out of each area, and
- d) the total number of transfers effected in each year from 1975 to 1980, giving origin and destination by HMOA (Question 441) with a breakdown showing classification of need (Question 442)?

4. Would it be possible for you to furnish the Committee with any systematic evidence of the relative attractiveness of different council estates? For instance, has any index of environmental quality or any similar measure been prepared for local planning purposes?

5. In further written evidence CHAS have given us figures for the percentage sold of stock available for sale in each HMOA between 1967 and May 1979. Can you confirm that these are correct?

6. CHAS in their written evidence (para 2.5) state that there has been an uneven pattern of sales within West Leeds HMOA, with a few estates accounting for most of the sales. Is this still so when allowance is made for the distribution of flats? Does the *proportion* of saleable dwellings sold vary in the same way as the *number* of dwellings sold? Can you confirm that the estates where a higher proportion of dwellings has been sold are more popular than the others?

7. Do you agree with the assessment of the relative attractiveness of individual dwelling sold in the Seacroft area made by Steve Billcliffe in an article in *Roof*, November 1979?

8. In your written evidence, Question B(i) you state that the increase in discounts under the Housing Bill may alter the balance of stock sold? How would it be altered?

21 August 1980]

[Continued]

*Balance of Demand and Supply for Council Lettings*

9. Could you tell us how long applicants currently being housed have been on the waiting list, breaking this down by points levels?

10. In reply to Questions 386, 392, 393 and 394, Councillor Carter said that there had been an upturn in private sector starts in 1979/80. Could you provide us with quarterly figures for 1979/80 and for the three preceding years?

*Loss of Relets Due to Sales*

11. Would it be possible for you to give us figures for the number of tenants leaving the council sector to but in each of the five years to 31 March 1975, on the same basis as those given by Mr Glover in reply to paragraph 413?

12. Could you attempt any estimate of the loss of relets due to sales? (of Question 432). Could you break down the relets figures for 1975 to 1980 which you gave us in written evidence into HMOAs? Could you break them down by the reasons which they became available?

13. (Question 435) Would it be possible to break down into HMOAs the figures for tenants moving out of the public sector to buy for the first time?

Clerk to the Committee  
21 May 1980

## LEEDS CITY COUNCIL

Clerk of the Committee  
Environment Committee

*Question 3a/b (i) (ii) (iii) (iv) & (v)*

Information is presented on numbers of transfers carried out under different need heads for the 22 Housing Management Office Areas.

*Question 3(c)*

Table 3(c) shows applications for transfers originating at each Housing Management location in the District. It also indicates where the applications for transfer are held for consideration in accordance with the applicants' choice. The transfer and allocation policy provides that the Housing Department will offer alternative accommodation according to the applicant's preferred area of choice. The transfer and housing waiting lists are obviously in a constant state of change and the figures contained in the tables are the best figures we have been able to obtain and should give some indication of trend, although it is necessary to point out that transfer waiting lists at some offices have not been reviewed during the last twelve months. No doubt an up-to-date revision of the transfer waiting list would significantly change the numbers involved.

*Question 3(d)*

It has not been possible to provide the statistics requested on this question. The Department affects some 4,000 transfers annually and the total figures broken down into the differing categories of housing need are recorded quarterly and annually to the Housing Committee. It has never been our practice to report to Housing Committee giving details of origin and destination by HMO. Consequently it would be a tremendous task to try and extract this information for the past five years and collate it manually. We have plans for the computerisation of the housing and transfer waiting lists, but unfortunately these have not yet materialised. The Department has a Research Officer and one Research Assistant and I am sure you will appreciate that these figures could only be obtained at very considerable time and expense and to the detriment of existing urgent workloads.

Tables 3a/b (i) (ii) (iii) (iv) & (v) answer part of your question.

*Question 4*

I regret that it is not possible to furnish the Committee with any systematic evidence of the relative attractiveness of different Council estates. A personal analysis would merely reflect a subjective judgment. There is, however, a marked tendency for applicants on the housing waiting list to have very firm convictions regarding area of choice and this is not

necessarily related to the attractiveness or otherwise of particular housing estates, but appears rather to depend upon factors such as place of work, place of birth, family connections. Applicants seem to have similar convictions about the particular estates within their areas of choice on which they would prefer to live. Such preferences tend to have regard to factors such as the age of the property, the social conditions on the estate, and the personal aspirations of the applicants concerned. Sometimes choice is somewhat limited by the lack of availability of certain dwelling types. A post-war estate might perhaps lack a high proportion of four-bedroomed or five-bedroomed dwelling types and an applicant in urgent housing need of this sort of accommodation might be well advised to widen their area of choice to include an estate where prospects of an early offer might be better.

The other factor which influences choice is the type of accommodation which might be available in any particular area. Some estates, for example, have a fairly high proportion of grouped dwellings, multi-storey flats, maisonettes, walk-up flats, which are relatively unpopular, particularly so far as families with children are concerned. Certainly any attempt to assess the relative attractiveness of an estate would have to take this into consideration.

It is interesting to consider the table showing transfers in and out of each Housing Management area (Table 3(c)). Wetherby, for example, is one of the outlying areas of the Metropolitan District which was formerly an independent Urban District Council but was absorbed on Local Government reorganisation in 1974. It was originally felt that on Local Government reorganisation there would tend to be a mass exodus of applicants from the former Leeds County Borough area seeking accommodation in this very attractive outlying district. This was, in fact, a fear expressed by former members of the Urban District Council on local government reorganisation and for this reason their housing waiting list prior to 1974 had residential and employment qualifications for entry. These fears never in fact materialised and it is interesting to note that of the 303 housing transfer applications originating from Wetherby, only two have expressed a desire to be rehoused elsewhere, which is perhaps an index of its relative attractiveness to its tenants. On the other hand, however, there is no indication that this view is widely shared by other residents of the District since Wetherby is certainly not inundated with applications from outside its immediate area.

It is clear that the transfer waiting list reflects the fact that people were generally rehoused in the first instance in their area of choice. The transfer waiting list perhaps reflects the applicants desire to improve their housing circumstances in some way, either by moving to what they consider to be a more attractive part of the same estate or to be a better type of house. Certainly our experience tends to confirm that families housed initially in a maisonette or a flat would aspire to a house with a garden. The transfer waiting list reflects this. It is also noticeable that when a new estate is developed, this generates very considerable transfer demand from tenants on nearby estates of earlier vintage.

#### Question 5

The table produced by CHAS, which is contained in the appendix to your questionnaire\*, cannot be reconciled with the figures that we produced in 1979, although I understand that our tables form the basis of CHAS's figures. I would refer to our written evidence on this matter and to the table of houses sold between 1967 and 1979. This table shows the total number of properties ever available for sale by estate and the number of houses sold by type. Additionally, the number of houses sold is expressed as a percentage of the total properties available for sale by area. Clearly the CHAS figures are derived from this table, but I think they have misinterpreted them since I am at a loss to reconcile the percentage figures shown under "Percentage of public sector stock sold". The figures under "Percentage property available for sale" seem to reconcile with the percentage of saleable properties sold since 1967.

#### Question 6

Table 6 demonstrates the pattern of sales within the housing estates of the West Leeds HMO. The numbers of saleable properties varies on the different estates. Only 10 per cent of Cheltenham Street is saleable, but all of Low Fold is saleable. 75 per cent of Lower Wortley is saleable but only 11 per cent of Mistress Lane is.

\* Not printed.

*[Continued]*

The least popular estates in the area are Greenside, Armley Heights, Tong Road, Greenthorpe, Low Fold and Hugh Street. The others are all more popular. There is not really a correlation between estates where a higher proportion of dwellings have been sold and the popularity of the estate. People who wish to move to an estate may not actually be able to do so because the tenants already living there do not move out, so a long waiting list builds up for that estate. The tenants, though, may have no desire to actually buy their accommodation.

One other factor to be taken into consideration is that the newer dwellings are not being sold because the all-in cost is greater than the market value and tenants would not therefore qualify for discount. Experience has shown that tenants do not appear to be interested in purchasing at all-in cost.

*Question 7*

This matter has not been fully researched by either Shelter or the Council. Superficially one can agree with Mr Billcliffe's comments since undoubtedly the sale of Council houses will be subject to the same market considerations as apply in the public sector. Mr Billcliffe's observations, however, do depend upon a somewhat subjective judgment of what constitutes an attractive dwelling.

*Question 8*

It should be borne in mind that the rents of pre-war properties have always been less than post-war properties and lower income families have tended to select pre-war estates for this reason. Additionally, of course, many post-war houses have electric or gas central heating systems which lower income families find too expensive to rent whereas pre-war houses, prior to improvement, generally have traditional heating systems.

Increased discounts may enable tenants of the older pre-war properties to buy. Prior to the Housing Act 1980, the Leeds scheme provided for a maximum discount of 20 per cent. It is entirely speculative but it is possible that tenants of pre-war property will now be able to enjoy in many cases 50 per cent discount, which may well make the purchase of their Council house a viable financial proposition.

*Question 9*

The Leeds allocation policy is based on housing need which is related to such factors as involuntary sharing, overcrowding, lack of amenities, health, homelessness, social need, etc. There are no residential or employment qualifications for entry to the Council's waiting list. All applications are classified according to the degree of housing need and offers of accommodation are made according to the relative degree of priority and having regard to the type of accommodation required, and the applicant's area of choice. The housing waiting list is decentralised and each Housing Management Office manages its own housing waiting list, which consists of applicants who have expressed a preference for that particular location. There are quite wide variations in the length of time that applicants, other things being equal, may have to wait, and in the final analysis the waiting period depends upon the locality and type of accommodation the applicant is prepared to consider. For example, one applicant in an urgent classification of housing need, who is flexible as to the area of choice and type of accommodation he is prepared to accept, could be rehoused within a comparatively short time of having registered an application, say within six months for a family living in shared accommodation with a two-bedroomed deficiency. Another applicant in the same classification of housing need, who is insistent on a post-war three-bedroomed house on a particular estate where vacancies are relatively few and far between, may have to wait considerably longer. A pre-tenancy visit is carried out when an application is eligible for consideration and on this occasion the Department will advise the applicant as to his prospects of rehousing, but in the final analysis it is entirely up to the applicant to decide the estate of his choice and the type of accommodation he will accept.

It is impossible to give any meaningful figures about the length of time applicants have been on the waiting list because the waiting period depends not only on the classification of the case, but upon the type of accommodation requested and the area of choice. For example, one applicant in shared accommodation with a one bedroom deficiency, who

applied in April 1979, was recently rehoused into a two-bedroomed house at Gipton. Another applicant with the same classification requiring three-bedroomed accommodation on that estate, who applied as recently as April 1980, was rehoused at the same time on the same estate but in three-bedroomed accommodation. On this particular estate, which was built prior to 1939, there is a high proportion of three-bedroomed dwellings, whereas the current waiting list demand is predominantly for smaller units of accommodation.

The date of application can also be misleading because at the time rehousing takes place, the classification may have changed. When the application was originally registered it could have been of relatively low priority but due to change in family circumstances or a change of address, the application may have been reclassified into a higher degree of priority because of the deterioration of the housing circumstances. Many homeless cases, for example, are rehoused but may in fact have been on the housing waiting list for a number of years but were finally rehoused because of either homelessness or threatened homelessness. Another factor which would distort the validity of any figures is that some applicants may have rejected two or even more offers before they are finally rehoused.

### Question 13

Table 13a gives a breakdown of reasons for which relets became available during the period 1975-80. Unfortunately we are not able to say whether those tenants who left to purchase in the private sector were first-time buyers or not.

Table 13b shows how relets became available by H.M.O.

Table 3a/b (i) Record of Transfers effected between March 31 1975 and March 31 1976

<i>Estate</i>	<i>Type to Type</i>	<i>Health</i>	<i>Clearance</i>	<i>Over-Housed</i>	<i>Over-Crowding</i>	<i>Compuls. Transfer</i>	<i>Social need</i>	<i>Mutual Transfer</i>	<i>Total</i>
Gipton	68	3	9	37	19	1	Classifications not used at this time	40	177
Lincoln Green	12	23	74	13	4	2		36	164
Meanwood	57	33	12	26	25	1		15	169
Moortown	29	25	—	22	8	—		15	99
Studley Grange	12	1	6	3	12	1		1	36
Wetherby	16	1	—	13	13	—		16	59
Aireborough	12	55	—	8	6	—		10	91
Horsforth	26	27	3	21	8	—		24	109
North Leeds	28	76	121	40	27	1		53	346
Otley	12	8	1	33	10	—		9	73
Belle Isle	14	38	2	23	9	—		48	134
Dewsbury Road	37	1	19	17	2	1		39	116
Hunslet	106	9	3	12	10	—		22	162
Middleton	124	15	2	25	25	—		44	235
Morley	55	17	1	17	22	—		48	160
Rothwell	34	10	2	5	3	—		24	78
Garforth	22	46	1	18	23	—		15	125
Seacroft	81	60	5	81	59	—		189	475
York Road	37	15	7	16	16	1		53	145
Padsey	40	50	3	35	21	—		37	186
Sandford	76	50	16	73	35	—		51	301
West Leeds	22	15	15	58	7	2		47	166
Quarry Hill	10	2	46	4	1	2		12	77
Total	930	580	348	600	365	12		848	3,683



[Continued]

Table 3a/b (ii) Record of Transfers effected between March 31 1976 and March 31 1977

Esate	Type to Type	Health	Clearance	Over-Housed	Over-Crowding	Compuls. Transfer	Social need	Mutual Transfer	Total
Gipton	44	22	7	30	27	-	2	40	172
Lincoln Green	30	36	76	35	13	-	-	47	237
Meanwood	24	41	4	23	15	-	2	29	138
Moortown	28	51	11	40	19	1	5	4	159
Studley Grange	13	2	20	-	21	1	-	4	61
Wetherby	31	12	-	34	16	-	15	14	127
Aireborough	4	19	-	3	4	-	-	33	63
Horsforth	23	47	2	28	11	-	1	46	151
North Leeds	21	60	17	17	12	-	5	31	163
Osley	11	15	-	8	7	-	-	23	64
Belle Isle	27	21	1	28	9	-	3	33	122
Dewsbury Road	46	56	10	39	12	3	15	27	208
Hunslet	66	11	1	31	14	1	-	20	146
Middleton	85	8	2	44	29	-	5	33	206
Morley	66	19	1	27	19	-	-	27	159
Rothwell	10	32	6	26	9	-	5	10	98
Garforth	32	43	-	21	14	-	3	42	155
Seacroft	68	110	1	131	77	-	14	135	536
York Road	24	26	12	30	40	2	1	49	184
Pudsey	29	61	1	19	28	-	-	45	183
Sandford	109	49	8	69	40	-	1	37	313
West Leeds	29	47	16	54	25	3	2	23	199
Total	820	788	196	737	461	11	79	752	3,844

Table 3a/b(iii) Record of transfers effected between March 31 1977 and March 31 1978

Esate	Type to Type	Health	Clearance	Over-Housed	Over-Crowding	Compuls. Transfer	Social need	Mutual Transfer	Total
Gipton	21	17	2	31	46	-	3	16	136
Lincoln Green	35	53	24	37	18	-	5	39	211
Meanwood	17	44	5	20	11	2	3	29	131
Moortown	55	55	28	41	27	-	6	11	223
Studley Grange	9	6	36	1	19	1	6	2	80
Wetherby	9	16	2	14	7	-	17	8	73
Aireborough	13	20	1	10	4	-	-	19	67
Horsforth	41	58	2	29	16	3	3	38	190
North Leeds	21	60	17	25	19	3	-	37	182
Osley	7	17	1	2	4	-	-	9	40
Belle Isle	37	34	7	38	14	1	12	32	175
Dewsbury Road	55	45	9	39	14	1	26	11	200
Hunslet	119	14	4	43	37	-	8	7	232
Middleton	61	17	61	35	23	-	13	39	249
Morley	51	26	3	30	8	-	3	51	172
Rothwell	12	21	17	7	2	-	-	12	71
Garforth	38	33	1	17	16	-	-	34	139
Seacroft	73	117	3	72	106	2	10	140	523
York Road	47	58	11	33	49	1	2	41	242
Pudsey	19	48	4	29	28	-	-	25	153
Sandford	137	48	2	76	53	-	1	50	367
West Leeds	72	49	12	69	18	-	7	33	260
Total	949	856	252	698	539	14	125	683	4,116



*(Continued)*

Table 3a/b(iv)

Record of transfers effected between March 31 1978 and March 31 1979

<i>Estate</i>	<i>Type to type</i>	<i>Health</i>	<i>Clearance</i>	<i>Over-housed</i>	<i>Over-crowding</i>	<i>Compuls. Transfer</i>	<i>Social need</i>	<i>Mutual transfer</i>	<i>Total</i>
Gipton	35	34	1	44	48	1	5	19	187
Lipson									
Green	50	41	3	28	15	—	6	16	159
Meanwood	27	44	9	15	25	—	1	28	149
Moorstown	25	32	1	27	9	—	—	17	111
Studley									
Grange	21	8	30	5	16	2	2	2	86
Wetherby	13	14	—	21	15	—	12	16	91
Aireborough	7	18	—	8	1	—	—	18	52
Horsforth	39	70	10	21	22	1	—	37	200
North Leeds	32	110	22	22	18	1	—	28	233
Otley	6	24	1	6	2	—	—	11	50
Belle Isle	43	44	3	22	29	1	3	20	165
Dewsbury									
Road	128	84	25	62	34	—	—	15	348
Hunslet	115	10	—	51	44	—	—	6	226
Middleton	80	31	11	29	30	1	6	23	211
Merley	35	20	2	28	14	1	—	48	148
Rothwell	14	24	11	12	3	1	—	30	95
Garforth	40	23	—	16	7	—	1	28	115
Seacroft	81	210	2	66	77	5	18	115	574
York Road	59	52	—	32	48	2	1	33	227
Pudsey	31	57	8	28	17	—	2	45	188
Sandford	128	100	25	79	58	—	—	29	419
West Leeds	50	51	31	53	27	—	11	33	256
Total	1,059	1,101	195	675	559	16	68	617	4,290

[Continued]

Table 3a/b(v)

Record of transfers effected between March 31 1979 and March 31 1980

<i>Estate</i>	<i>Type to type</i>	<i>Health</i>	<i>Clear- ance</i>	<i>Over- housed</i>	<i>Over- crowd- ing</i>	<i>Compuls. Trans- fer</i>	<i>Social need</i>	<i>Mutual trans- fer</i>	<i>Total</i>
Gipton	25	37	2	33	47	—	15	33	192
Liocoin									
Green	34	120	10	31	23	3	15	28	264
Meanwood	36	40	14	17	17	1	1	23	149
Moortown	19	31	3	18	7	—	5	21	104
Studley									
Grange	8	9	41	4	10	3	2	2	79
Wetherby	3	11	—	21	8	2	2	34	81
Aireborough	9	19	—	4	9	—	2	20	63
Horsforth	23	58	4	21	10	1	—	43	160
North Leeds	53	74	28	27	21	2	6	33	244
Osley	2	11	2	2	6	—	—	19	42
Belle Isle	63	44	18	30	19	1	1	17	193
Dewsbury									
Road	178	139	36	79	43	1	1	25	502
Hunslet	43	5	2	17	17	—	—	5	89
Middleton	43	30	91	26	25	—	1	15	231
Morley	19	40	7	25	10	—	—	38	139
Rothwell	44	40	25	29	10	—	—	17	165
Garforth	18	28	—	4	5	—	1	23	79
Seacroft	73	146	2	65	75	5	21	128	515
York Road	61	41	3	27	54	4	1	43	234
Pudsey	53	100	4	32	29	—	4	17	239
Sandford	49	37	46	34	20	3	—	26	215
West Leeds	40	71	46	15	6	—	8	49	235
Total	896	1,131	384	561	471	26	86	659	4,214

[illegible]

Table 2 (b)

Report sold - 20 March 1967-79

Last Month Sold	Period				Period				Period				Period				Period				Period			
	Total pages	1st ed.	Total pages	1st ed.	Total pages	1st ed.	Total pages	1st ed.	Total pages	1st ed.	Total pages	1st ed.	Total pages	1st ed.	Total pages	1st ed.	Total pages	1st ed.	Total pages	1st ed.	Total pages	1st ed.	Total pages	1st ed.
Open Cover Edition Book Price	400	10	4,000	10	400	10	4,000	10	400	10	4,000	10	400	10	4,000	10	400	10	4,000	10	400	10	4,000	10
Yours	400	10	4,000	10	400	10	4,000	10	400	10	4,000	10	400	10	4,000	10	400	10	4,000	10	400	10	4,000	10
	4.0%				4.0%				4.0%				4.0%				4.0%				4.0%			
Open Cover New Edition Book Price	10	1	100	1	10	1	100	1	10	1	100	1	10	1	100	1	10	1	100	1	10	1	100	1
Yours	10	1	100	1	10	1	100	1	10	1	100	1	10	1	100	1	10	1	100	1	10	1	100	1
	1.0%				1.0%				1.0%				1.0%				1.0%				1.0%			
Open Cover New Edition Book Price	10	1	100	1	10	1	100	1	10	1	100	1	10	1	100	1	10	1	100	1	10	1	100	1
Yours	10	1	100	1	10	1	100	1	10	1	100	1	10	1	100	1	10	1	100	1	10	1	100	1
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Machine Language Part Number	200	20	1,400	200	2				100	20	0	0	2					20	20	2	200
	200	20	1,400	200	2				1,000	100	100	100	20	40	2			100	40	2	200
Vehicle	200	20	1,400	200	2				1,000	100	100	100	20	40	2			100	40	2	200
	40%		8.2%						4.0%		5.0%		27.5%		12.5%			11.0%		7.5%	
Motor	200	0	1,400	40	20				1,000	40	1,000	10	100	40				1,000	100	1,000	1,000
	1.0%		2.0%						1.7%		2.7%		6.0%					1.7%		4.0%	
Boat	20	2	80	20	0				1,000	20	40	0	100	20	10			1,000	20	2,000	10
	1.0%		5.2%						3.0%		6.2%		5.1%					3.0%		5.2%	
Small	1,000	10	1,000	100	20	1	100	0	1,000	100	1,000	100	1,000	100	20	10		1,000	100	1,000	100
	1.2%		4.0%		1.0%		1.0%		4.2%		1.2%		6.0%		1.2%			1.2%		4.0%	



Table 2 (c)

Season ended — 31 March 1967-79

Stocks and Debt	Dry-seed								Peasants								Others							
	Total pounds	7.5%	Total pounds	1.5%	Total pounds	4.5%	Total pounds	2.5%	Total pounds	Total pounds	Total pounds	7.5%	Total pounds	7.5%	Total pounds	4.5%	Total pounds	1.5%	Total pounds	Total pounds	Total pounds	Overall total	After pounds	Total total
Overhead Expenditure	179	25	760	87	47	2	2		199	121	73	4	209	9	2					27		129	2	131
Season	179	25	760	87	47	2	2		199	121	73	4	209	9	2				1,232	27	2,524	146	2	260
Season 1967 Total (Seed) Season (Peasants) Season (Others) Season (Debt) Overhead Expenditure A & B	10.7%	11.4%	6.7%			12.2%	1.2%	1.1%									1.7%	1.1%						
	10	2	100	10					20			20	1,000	100	100	100	100	100	100	100	100	100	100	100
	100	21	144	6	152	2	100		12			12	1,000	100	100	100	100	100	100	100	100	100	100	100
	496	13	742	100	120	2	100		1,007	44	1,004	120	1,000	100	100	100	100	100	1,004	100	1,004	100	100	100
Total Seed Total (Peasants) Total (Others) Total (Debt) Total (Peasants) Total (Others) Total (Debt) Total (Peasants) Total (Others) Total (Debt)	1.7%	1.1%	1.1%						1.2%	1.2%	1.1%								1.7%	1.1%				
	531	20	779	10	22	2	20		10			10	1,000	100	100	100	100	100	100	100	100	100	100	100
	221	6	362	1	100	4	100		10			10	1,000	100	100	100	100	100	100	100	100	100	100	100
	964	30	1,098	117	224	7	224		2,740	120	2,740	120	2,740	100	100	100	100	100	2,740	120	2,740	120	120	120
Total	1.2%	1.1%	1.1%						1.2%	1.2%	1.1%								1.2%	1.1%				
	1,000	10	1,000	100	100	10	100		1,007	120	1,004	120	1,000	100	100	100	100	100	1,004	120	1,004	120	120	120

Table 8-25

Houses Sold — 20 March 1947-1979

Total properties = All properties were available for sale

N.B. These tabulations do not include sales prior to 1970 in the areas which were outside the old South C.B.

	Seven						Fourteen						Twenty						Twenty					
	Total prop.	2-4s	Total prop.	2-4s	Total prop.	2-4s	Total prop.	2-4s	Total prop.	2-4s	Total prop.	2-4s	Total prop.	2-4s	Total prop.	2-4s	Total prop.	2-4s	Total prop.	2-4s	Total prop.	2-4s	Total prop.	2-4s
North East 1947-79 1970-79		85 27		111 136		2		-		124 122		19 20		22 20		2		2		22 20		25 24	28 23	86 79
Seven	857	34	4,762	250	368	8	40	-	0.0%	793	1,240	534	1,412	84	134	17	20	2	1,425	129	16,208	101	12	194
		3.9%		0.5%		0.2%					1.6%		1.8%		0.1%				1.7%		0.2%			
North West 1947-79 1970-79		21		35 75		1		-		36 20		97 90		160 120		18		1		276 219		195 168	21 20	121 108
Seven	797	28	1,794	99	79	1	14		0.0%	126	1,408	235	1,760	262	138	12	11	1	1,776	187	1,607	712	21	748
		3.5%		0.6%		0.1%					1.8%		2.5%		0.1%				1.9%		1.2%			
East 1947-79 1970-79		27 27		12 12		2		-		35 30		17 17		25 22		2		1		47 38		29 27	10 20	87 78
Seven	1,247	30	3,244	155	76	11	207		0.2%	107	762	367	1,447	208	164	12	17	1	1,776	171	1,434	1,040	17	1,081
		2.4%		0.5%		0.1%					0.6%		1.4%		0.1%				1.4%		0.5%			

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Table 4 Housing stock in West Linn

Zone	Salable property	Numbers sold	Now sold as % of salable property	Popularity rating	Total No. of dwellings	Now sold as % of total dwellings	Salable property as % of total dwellings
Popular	143	44	30.8	Popular	585	11.4	74.8
Quintessence	80	25	31.2	Less Popular	129	7.7	38.7
Silver Road	37	9	24.3	Popular	61	14.7	68.8
Quentin Hill	39	31	79.5	Popular	423	7.3	47.7
Cow Close	105	95	90.5	Popular	1,155	7.9	66.9
Stonbridge Lane	64	6	9.3	Popular	164	3.7	66.5
Amory Heights	413	33	7.9	Fairly popular	746	4.4	55.3
Tong Road	137	21	15.3	Less popular	249	4.4	68
Grosvenor	152	8	5.2	Less popular	206	3.8	79
Motera Lane	28	1	3.5	Popular	181	0.5	11
Thornley Lane	23	1	4.3	Popular	232	0.2	7.8
Lower Winkley	113	3	2.6	Popular	199	1.5	71.8
Low Field	148	3	2.0	Less popular	146	1.3	100
Wollington Road	358	21	5.8	Popular	797	1.3	44.9
Chalchaban Street	2	-	-	Very popular	49	-	10.2
High Street	-	-	-	Fairly popular	180	-	1
Schoolfield Fold	4	-	-	Popular	50	-	28
Highbury	22	-	-	Popular	98	-	27.8

[Continued]

[Continued]

Table 13a Breakdown of reasons for which relets become available  
(As % of total for that year)

Reason	1975/76	1976/77	1977/78	1978/79	1979/80
	%	%	%	%	%
House Purchase	593 (14.2)	568 ( 14)	677 (15.2)	679 (14.5)	543 (10.9)
To live with Relatives	357 (08.5)	396 ( 9.7)	408 ( 9.1)	474 (10.1)	509 (10.2)
Removed to hostel/ hospital	439 (10.5)	399 ( 9.8)	371 ( 8.3)	363 ( 7.7)	411 ( 8.3)
Death	1,357 (32.6)	1,160 (28.6)	1,313 (29.5)	1,318 (28.2)	1,426 (28.8)
Emigrated	75 ( 1.8)	50 ( 1.2)	38 ( 0.8)	31 ( 0.6)	32 ( 0.6)
Left Leeds	457 (10.9)	440 (10.8)	541 (12.1)	583 (12.4)	521 (10.5)
Allocated Shop Premises	5 ( 0.1)	3 ( .07)	4 ( .08)	1 ( .02)	-
Marriage (to spouse's address)	105 ( 2.5)	80 ( 1.9)	78 ( 1.7)	86 ( 1.8)	45 ( 0.9)
Notice to Quit	25 ( 0.6)	29 ( 0.7)	24 ( 0.5)	24 ( 0.5)	11 ( 0.2)
No Forwarding address	350 ( 8.4)	485 (11.9)	550 (12.5)	677 (14.5)	857 (17.3)
To take up service tenancy	75 ( 1.8)	55 ( 1.3)	64 ( 1.4)	55 ( 1.1)	59 ( 1.1)
Committee tenancy terminated	16 ( 0.3)	49 ( 1.2)	50 ( 1.1)	21 ( 0.4)	53 ( 1.0)
Private Landlord	289 ( 6.9)	309 ( 7.6)	303 ( 6.8)	325 ( 6.9)	452 ( 9.1)
Eviction	12 ( 0.2)	19 ( 0.4)	24 ( 0.5)	30 ( 0.6)	29 ( 0.5)
Total	4,155	4,042	4,445	4,667	4,948
Houses sold to sitting tenants	31	855	605	859	847

This graph does not include mutual exchanges and transfers.

A relet is a property which has become vacant due to the termination of a tenancy and the tenant moves out of the Council Sector.

A transfer is when a tenant moves from one property to another within the Council sector. Properties which become empty as the result of a transfer are never counted as re-lets.

Table 13b Numbers of relets available by Housing Management Offices

Office	1975/76	1976/77	1977/78	1978/79	1979/80
Gipton	250	237	282	315	352
Lincoln Green	120	260	275	244	267
Meanwood	115	133	146	147	176
Moortown	112	142	134	142	170
Studley Grange	2	131	129	126	119
Wetherby	69	96	85	86	83
Aireborough	87	82	80	88	74
Horsforth	135	202	226	212	193
North Leeds	281	302	335	358	399
Otley	65	73	60	71	70
Belle Isle	151	165	163	191	212
Dewsbury Road	136	155	222	238	300
Hunslet	171	211	177	204	278
Middleton	47	118	134	128	122
Morley	162	168	203	183	187
Rothwell	88	92	122	123	105
Garforth	98	136	114	137	136
Seacroft	489	470	622	626	622
York Road	167	209	212	229	279
Pudsey	165	167	170	203	205
Sandford	222	245	306	319	309
West Leeds	208	248	248	297	290
Total	*3,409	4,042	4,445	4,667	4,948

\*This figure excludes miscellaneous properties.

A relet is a property which has become vacant due to the termination of a tenancy and the tenant moves out of the Council Sector.

A transfer is when a tenant moves from one property to another within the Council sector. Properties which become empty as the result of a transfer are never counted as re-lets.

[Continued]

**Sale of Council Houses**

Houses sold during 1976/77 — 880.

Total Selling Price of Sales — £4,223,786.

Approximate debt outstanding on houses sold — £1.1m.

The following tables show the approximate trends which have been experienced in respect of the houses sold in 1976/77. The examples give only an indication but the results are comparative and significant enough to give a reasonable general view. The detailed figures are hypothetical in so far as:—

*Repairs* — these are the average unit costs for all houses — there is no information available regarding the actual houses sold.

*Management* — again the average costs, and it is debatable whether these savings are achieved.

*Rents* — also taken as the average and not the total of actual rents of houses sold.

*Debt Charges* — the interest rate used is the actual Loans Fund rate of the Council for the year in question. The principal element is merely guessed (£20,000 in 1977/78) as this will depend on each house and will vary each year.

*Interest from Borrowers* — For this purpose, the same rate of interest as the Loans Fund rate has been used. In practice, the rate to borrowers varies in line with the rate charged on the House Purchase Loans, which should not be less than  $\frac{1}{2}$  per cent above the Loans Fund Rate. Over a period, this is achieved. As the  $\frac{1}{2}$  per cent is meant to cover administrative costs, this has been excluded. Also, it is assumed for this purpose that all sales were made by a Council mortgage. In practice, deposits, amounts from Building Society mortgages, and annual repayments would be received and the amount used to repay existing debt on the houses sold. As we are using the same interest rate in the table the effect is more or less the same.

*Government Subsidy* — This represents the actual amount of subsidies lost to the HRA when sold, under the Provisions of the Housing Subsidies Act 1975.

**1977/78**

<i>Expenditure</i>	<i>If no sales had taken place</i>	<i>After sales</i>
	£000	£000
Repairs .. .. .	89	—
Management .. .. .	25	—
Debt Charges (9.4% interest) .. .. .	123	123
	<u>237</u>	<u>123</u>
<i>Income</i>		
Rents .. .. .	254	—
Government Subsidy .. .. .	45	—
Interest from Borrowers (say 9.4%) .. .. .	—	397
	<u>299</u>	<u>397</u>
"Profit" .. .. .	62	274
Increased "Profit" on sale .. .. .		212



1978/79						
<i>Expenditure</i>						
Repairs .. .. .	..	..	..	..	..	100
Management .. .. .	..	..	..	..	..	27
Debt Charges (10.6% int. rate)	..	..				137
						<u>264</u>
						137
<i>Income</i>						
Rents .. .. .	..	..	..	..	..	267
Government Subsidy .. .. .	..	..	..	..	..	45
Interest from Borrowers (say 10.6%)	..					-
						<u>312</u>
						448
"Profit"						48
Increased "Profit" on sales	..	..	..	..	..	311
						263
1979/80						
<i>Expenditure</i>						
Repairs .. .. .	..	..	..	..	..	118
Management .. .. .	..	..	..	..	..	32
Debt Charges (13.0% interest)	..	..				163
						<u>313</u>
						163
<i>Income</i>						
Rents .. .. .	..	..	..	..	..	308
Government Subsidy .. .. .	..	..	..	..	..	45
Interest from Borrowers	..	..	..			-
						<u>353</u>
						549
"Profit"						40
Increased "Profit" on sale	..	..	..	..	..	386
						346
1980/81						
<i>Expenditure</i>						
Repairs .. .. .	..	..	..	..	..	118
Management .. .. .	..	..	..	..	..	35
Debt Charges (14.1% interest)	..	..				175
						<u>328</u>
						175
<i>Income</i>						
Rents .. .. .	..	..	..	..	..	349
Government Subsidy .. .. .	..	..	..	..	..	45
Interest from Borrowers	..	..	..			-
						<u>394</u>
						596
"Profit"						66
Increased "Profit" on sale	..	..	..	..	..	421
						355

*[Continued]***Sale of Council Houses**

I enclose for the committee's information details of private sector starts for the past four years as requested in question 10.

The answer to question 11 is contained in Table 13(a) on the top line, category "House Purchase". Question 12 is also answered in this table.

I hope the information has now been clarified.

Housing Solicitor  
Leeds City Council

**Reply to Question 10:**

<i>Year</i>	<i>Quarter</i>	<i>Cumulative</i>	<i>Quarterly</i>
1980	1st		190
1979	4th	1,041	345
	3rd	696	427
	2nd	269	159
	1st		110
1978	4th	1,112	206
	3rd	906	244
	2nd	662	344
	1st		318
1977	4th	1,168	335
	3rd	833	382
	2nd	451	311
	1st		140
1976	4th	1,669	214
	3rd	1,455	464
	2nd	991	561
	1st		430

**Private Sector House Starts**

20 August 1980

**THE CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY**

Clerk to the Environment Committee  
House of Commons.

Further to my letter of 30 May 1980\*, I now enclose a copy of a memorandum for incorporation in the Institute's evidence.

**THE CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY**

1. Questions 571 and 574 are directed at ascertaining the number of council dwelling sales required to finance the construction by a local authority of a new dwelling. The Institute believes that amplification of its answers to these questions might be helpful.

2. The ability of a local authority to construct a new property from the proceeds of sales of existing stock will depend on the following factors and the relationship of the factors one to another:—

- (a) the market value of the dwelling sold;
- (b) the purchaser's discount entitlement;
- (c) the method employed by the purchaser to finance his acquisition,  
and
- (d) the type of dwelling constructed as a replacement, and its cost.

3. In the main, sales of council dwellings will be financed by a building society mortgage or by a mortgage granted by the local authority selling the dwelling, and the extent to which an authority will be able to apply capital receipts flowing from sales to the construction of new dwellings will be dependent upon the method chosen. The former method will provide, on completion of the sale, immediate cash equivalent to the sale price; the latter method will spread that cash over the period of the mortgage.

4. The sale of a dwelling, for example, valued at £20,000 with a 30 per cent discount will yield for the local authority £14,000. If financed by a building society mortgage it is reasonable to assume that two such sales will provide the cash (£28,000) to fund immediately the construction of one new dwelling of the types sold.

5. It is probable that a sale financed by a local authority mortgage will generate for the authority an initial deposit with the balance spread over the term of the mortgage. Using the previous example and assuming a 10 per cent deposit per dwelling sold, ie £1,400, twenty dwellings will need to be sold to provide immediately the funds to construct one new dwelling costing in the region of £28,000.

6. Any variation of the factors described in the examples will, of course, produce a different ratio of dwellings constructed from sales proceeds, for example, if ten dwellings are sold, each for £14,000, with three sales being financed by building societies, and the remaining seven by local authority mortgages (with a 10 per cent deposit in every case), the total cash received initially by the local authority will be £51,800 which would be insufficient to construct two replacement dwellings of £28,000 each. The institute believes that an intermediate position as described in this paragraph is more likely to prove typical than the extreme situations described in paragraphs 4 and 5.

*Assistant Secretary*

12 June 1980.

\* Not printed.

*(Continued)**Notes*

1. The examples assume that a replacement dwelling will cost more than the market value of a similar property sold, but this will depend on such matters as construction standards/methods, land prices, etc.

2. Regard has been had only to capital receipts available immediately upon sale. The principle element of a monthly repayment on a mortgage granted by a local authority is insignificant in the early years and for the purpose of the examples can be ignored.

3. Whilst not affecting the flow of capital receipts available for new construction, it should be borne in mind that the Government proposes to share in the benefits of capital appreciation realizable on the sale of a dwelling by withdrawing subsidy, on disposal of a property at a surplus, by reference to the cost of the dwelling plus 50 per cent of the difference between the cost and sale price.

## LETTER TO THE GREATER LONDON COUNCIL

## Sale of Council Houses

At the meeting of the Environment Committee on 19 June, when oral evidence was taken from the Greater London Council, the leader of the Council's representatives agreed to provide further written evidence on a number of points. These are:

1. Further to Para 889, to provide the Committee with a breakdown of properties sold on a borough basis (distinguishing between sales of vacant dwellings, homesteading and sales to sitting tenants).
2. An indication of the impact of the GLC's television advertising campaign on enquiries, take up, etc.
3. The extent to which properties used for the elderly (including the seaside and country home scheme) are excluded from the Right to Buy provisions of the Housing Bill.
4. Further to Para 844 to provide a breakdown of sales by years, or quarters of years, (distinguishing between sitting tenant, homesteading and vacant dwelling sales).
5. Further to Para 870 to provide details of properties sold to non-GLC tenants.
6. Further to Para 895-6, to provide the Committee with a paper on nominations for Wandsworth, indicating whether there has been a fall back in the number of allocations to any other boroughs since 1976.
7. To outline how the GLC's sales programme is organised and how costs of £2 million are incurred. Did the GLC consider any alternative ways of organising its sales programme and to costing it? Would we be correct in assessing the sales cost at roughly £600 per dwelling or double the assumed annual management/maintenance cost saving?

*Clerk to the Committee*

4 July 1980

## GREATER LONDON COUNCIL

Clerk to the Committee  
Environment Committee

## Sale of Council Houses

Thank you for your letter of 4 July requesting further written evidence on a number of points arising from the oral evidence given by the Council's representatives on 19 June.

The response to the individual questions are attached.

*Assistant Director-General*  
1 August 1980

*Question* — Breakdown of all properties sold, in period 1 April 1977 – 31 March 1980, on a borough and district basis.

	<i>Sitting Tenants</i>	<i>Vacant Dwellings</i>	<i>Homesitting</i>	<i>Total</i>
Barking	1,212	71	2	1,285
Barnet	218	51	0	269
Bexley	15	194	5	214
Brent	6	16	10	32
Bromley	264	176	9	449
Camden	4	0	3	7
City of London	0	0	0	0
Croydon	14	26	45	85
Ealing	85	22	2	109
Enfield	9	1	27	37
Greenwich	259	21	14	294
Hackney	12	28	65	105
Hammersmith	28	67	13	108
Haringey	61	0	97	158
Harrow	122	12	1	135
Havering	377	37	2	416
Hillingdon	2	3	3	8
Hounslow	8	322	8	338
Islington	4	1	27	32
Kensington & Chelsea	0	0	4	4
Kingston-upon-Thames	1	38	3	42
Lambeth	69	0	21	90
Lewisham	259	116	34	409
Merton	127	44	14	185
Newham	5	4	50	59
Redbridge	340	92	7	439
Richmond-upon-Thames	0	4	5	9
Southwark	30	5	29	64
Sutton	173	21	8	202
Tower Hamlets	95	20	22	137
Waltham Forest	112	20	21	153
Wandsworth	140	30	35	205
Westminster	10	80	2	92
	4,061	1,522	588	6,171

21 August 1980]

[Continued]

Out County Districts	Sitting Tenants	Vacant Dwellings	Homesteading	Total
Arundel	1	—		1
Braintree	1	—		1
Brentwood	29	5		34
Broxborne	81	89		170
Colchester	7	—		7
Dacorum	—	129		129
East Herts	2	1		3
Epping Forest	359	133		492
Hertsmere	314	27		341
Mid Sussex	3	—		3
North Herts	19	1		20
Reading	2	—		2
Reigate & Banstead	52	5		57
Rushmore	127	16		143
Sevenoaks	61	5		66
Slough	373	32		405
South Beds	9	1		10
Spelthorne	18	—		18
Tandridge	5	—		5
Three Rivers	414	24		438
Thurrock	577	54		631
Tring	5	—		5
Waverley	7	1		8
Windsor & Maidenhead	—	—		0
Woking	67	2		69
Wokingham	12	—		12
	2,545	525		3,070

#### Question 2 — Television advertising

The television advertising formed only a part of the campaign and it was not possible to identify those enquiries which were direct responses to television advertisements as distinct from advertisements in other media. A brief resumé of the campaign is as follows:—

A booklet "A Home of Your Own" (which included a tear-off reply card) was mailed to all GLC tenants during the two weeks commencing 25 September 1978. (A copy of the booklet was sent with the Council's written evidence and included in the packs handed to the Committee on 19 June\*.)

The advertising campaign which invited Londoners (*other than GLC tenants*) to send off for the booklet was run from 18 September–1 October 1978.

The media used were *The Evening Standard* and *Evening News*, London Weekly newspapers, Thames TV and London Weekend Television, Capital Radio and LBC.

The press advertisements were couched to enable people to send off for the booklet and the radio advertisements featured a special 'phone number (Ansaphone) where the public could leave their address and the booklet would be sent to them.

There were 19 television spots, each of 15 seconds duration, which showed the booklet, briefly explained what was going on and referred viewers to the advertisements in the London evening newspapers and weeklies where they could fill in the coupon and send off for the booklet. It is not, therefore, possible to distinguish between those enquiries which were initiated by the newspaper advertisements and those from people whose attention was drawn to the newspaper advertisements by television.

As at December 1978 some 32,400 booklets had been sent out in response to the advertising and 28,000 tear-off cards received. Requests for the booklet continued to be received and further tear-off cards were returned but a strict count was not kept after December 1978.

\*Not printed.

A breakdown of costs, etc of the campaign is as follows:—

<i>Media</i>	London Evenings London Weekend Capital Radio and LBC TV Thames, LWT	Costs £105,000
<i>Timing:</i>	18 September – 1 October 1978	
<i>Mailing:</i>	18 September – 1 October 1978 (to all tenants)	
<i>Response:</i>	32,400 booklets were sent out in response to advertisements, and enquiries are still being received.	
	As at 5 December 1978 28,000 tear-off cards had been received.	
<i>Costs:</i>	Advertising	£104,500
	Production	£12,000
	Printing Booklet	£30,690
	Mailing, plastic wrapper and handling charge	£27,500
	Total	£174,690

*Question 3 — Properties used for the elderly and seaside and country homes*

Under the Government's proposals in the Housing Bill the use of dwellings to house elderly people will not exclude them from the "right to buy" provisions neither will dwellings specifically bought or built for the elderly (including seaside and country homes) be excluded.

Dwellings for the elderly will only be excluded from the "right to buy" when they are in specially provided groups, with social or special facilities close by, wholly or mainly for the elderly occupiers (Sch 1, Pt I(4)).

There will also be a specific exemption from "right to buy" for dwellings designed for the disabled (Sch 1, Pt (3)).

Both categories raise questions as to the scale of the special features that might qualify the dwellings for exemption. The internal features of many old people's dwellings include short baths and grab handles, outward opening doors suitable for wheelchairs, kitchens with special low units, double hand rails for stairs, alarm systems, etc, which may qualify them for exemption as disabled persons dwellings. In groups of old peoples' dwellings, such facilities might be regarded as "special". Likewise, externally, a range of social facilities is provided from a mere liaison tenant on some seaside and country homes to a warden and common room on other groups of old people's dwellings.

It has been thought premature to try to clarify such matters at the present time and the situation has been further complicated by recent amendments in the House of Lords and the subsequent statement by the Minister that the Government proposes to seek to reduce the extent of these amendments in the Commons.

[Continued]

Question 4 — Breakdown of sales by quarter years (distinguishing between sitting tenant, homesteading, and vacant dwelling sales) 1 April 1977–31 March 1980.

		<i>Sitting Tenants</i>	<i>Vacant Dwellings (No separate statistics kept until October 1978)</i>	<i>Homesteading</i>	<i>Total</i>
1977					
	April–June .. ..	—	—	—	—
	July–September ..	—	—	—	—
	October–December ..	3	—	—	3
1978					
	January–March ..	142	—	—	142
	April–June .. ..	1,055	—	10	1,065
	July–September ..	813	—	33	846
	October–December ..	1,394	371	81	1,846
1979					
	January–March ..	1,686	138	101	1,925
	April–June .. ..	390	422	70	882
	July–September ..	217	356	120	693
	October–December ..	313	385	111	818
1980					
	January–March ..	745	518	108	1,371

Question 5 — Details of properties sold to non-GLC tenants 1 April 1977–31 March 1980.

Records of sales to GLC tenants are not kept separately. However, separate statistics are kept for sales (other than homesteading) to *nominated purchasers*, defined as follows (during the period in question).

GLC tenants.

London Borough Council tenants.

Sons and daughters of GLC and London Borough tenants living with their parents.

Tenants of housing associations living in London.

Those displaced by GLC or London Borough clearance, redevelopment or rehabilitation schemes.

Essential workers required to assist in London's economic regeneration.

Persons nominated by London Borough or District Councils for schemes within that Council's area.

(Since 1 April 1980 the categories have changed and only GLC and London Borough Council tenants now qualify as nominated purchasers.)

All homesteading sales are generally categorised as open market sales, and the figures given in the "homesteading" column of question 1 could be added to those given below.



It is noted that para. 870 specifically excludes Brentford Dock and Thamesmead. Figures for these are therefore given separately.

*Open market sales by London borough:—*

Barking and Dagenham	1
Barnet	20
Bexley	5 (plus 26 at Thamesmead)
Brent	16
Bromley	49
Croydon	11
Ealing	8
Hackney	23
Hammersmith and Fulham	30
Harrow	3
Havering	6
Hillingdon	3
Hounslow	9 (plus 313 at Brentford Dock)
Islington	1
Kingston-upon-Thames	24
Lewisham	1
Merton	29
Newham	4
Redbridge	62
Richmond-upon-Thames	3
Southwark	3
Sutton	1
Waltham Forest	5
Wandsworth	7
Westminster	54
<b>Total</b>	<b>378</b>

*Districts outside London*

Brentwood	3
Broxbourne	2
Dacorum	22
Epping Forest	65
Reigate and Banstead	1
Slough	8
Three Rivers	2
Thurrock	1
<b>Total</b>	<b>104</b>

*Question 6 — Nomination for Wandsworth, etc*

Information on nomination quotas to the London Borough of Wandsworth and performance against these quotas is set out below. For 1975, 1976 and 1977 the GLC gave each borough with housing stress a quota for general needs and a quota for homeless families but for 1978 and 1979 these two quotas were amalgamated and a block quota was given to include any promise made to help with decanting and the offer to help single people and families without young children willing to accept difficult-to-let property.

Wandsworth requested help with decanting early in 1974 and a quota of 200 allocations was authorised in April 1974. This was not an annual quota and the practice has been to review the situation as the GLC neared completion of a decant quota when a borough was invited to make a case for a further quota to be given.

Against the decant quota of 200, the GLC housed 16 in 1974, 34 in 1975, 7 in 1976, 40 in 1977, 28 in 1978 and 20 in 1979–80 making a total of 145.

{Continued}

The "plus quota" was introduced in September 1975 when boroughs were asked to submit up to 150 cases for difficult-to-let properties. No firm annual quota was set down but it was generally assumed that each stress borough would put forward cases for approximately 150 dwellings per year.

For plus, general needs and homeless families quotas, the figures for Wandsworth are as follows:—

Year	Plus Quota		General Needs		Homeless Families		All Annual Quotas	
	Quota	Performance	Quota	Performance	Quota	Performance	Quota	Performance
1975	50	2	140	36	350	72	540	110
1976	150	295	340	231	380	349	870	875
1977	150	258	240	301	380	206	770	765
1978							800	510
1979							600	369

N.B. These figures are quoted for calendar years but the final block quota ran from July 1979 to March 1980 and for that period the target figure was met.

The following points should be borne in mind in connection with these figures:—

- 1 The quota fixed has always been assessed as a target that the GLC would aim to achieve. There was no question of any commitment to help the borough concerned to this extent and if the target was not met the deficiency was not carried forward to the next year.
- 2 Performance against target was very largely influenced by the ability of the boroughs concerned to nominate applicants interested in and willing to accept the type of properties that could be made available.
- 3 Regular bulletins were issued to the boroughs to guide them by showing availability of accommodation in various areas.
- 4 Our experience of dealing with nominations from the London Borough of Wandsworth was that in 1975 the borough was extremely slow in sending in nominations and the majority of cases was put forward in the second part of the year. A large number of their general needs as well as their decant applicants wanted houses in outer south west London where vacancies normally went to clearance cases and high priority transfers. The GLC had few or no difficult-to-let properties in the Borough of Wandsworth and many of the borough's nominees wished to remain in the Wandsworth area. Difficulty was also experienced because, having nominated families under homeless arrangements, the borough then offered alternative accommodation themselves and failed to notify the fact that a nominee had been withdrawn.
- 5 So far as shortfall on meeting quotas for other London boroughs is concerned, the position since 1977 is that in that year the GLC failed to meet the general needs quotas of all boroughs except Greenwich (plentiful supply of dwellings at Thamesmead), Haringey (special commitment in connection with Ferry Lane), Hammersmith and Fulham, Kensington and Chelsea, and Tower Hamlets. Westminster's homeless families quota was exceeded by seven units but all other homeless family quotas fell short of the target. Block quotas for 1978 also fell short of target with the exception of Greenwich and Newham. Again, we helped Greenwich at Thamesmead and for Newham we were making special efforts to meet a decant quota of 700. In 1979 the five boroughs where we succeeded in meeting the full block quota were Greenwich, Newham, Barking, Haringey and Westminster.

**Question 7 — Sales programme****Organisation**

The GLC has set up a specialist department, the Directorate for Home Ownership, to deal with the Council's sales programme. The department deals with sales (sitting tenant, vacant possession and homesteading) as well as the provision and management of home loans for the purchase of Council and private accommodation.

Before the Directorate was established in August 1979, several departments carried out sales work alongside their other departmental functions. This work was brought under one "roof" to meet the great increase in demand for the (expected) "right to buy" legislation. The creation of the Directorate has resulted in a shortening of many procedures and a reduction in the average time for completions to be effected.

**Cost**

£2,000,000 was the estimated current annual cost in mid-1979. The equivalent figure (from the 1980-81 estimates) for the March 1980 sales trading account, was £3,400,000. This comprises staff costs, accommodation, advertising and payments to outside agents.

It would be incorrect to deduce an average sales cost of £600 per dwelling. This is not unreasonable for the sale of new, vacant, dwellings but the estimated cost of selling to sitting tenants is estimated to be about £300. The total cost of the sales organisation includes provision for sales not yet completed and for costs which may or may not prove abortive. Thus use of a simple average would, at this stage, be misleading.

A parallel with the assumed management and maintenance cost saving would also be misleading. The total sales costs are known, certain and once-for-all. Management and maintenance savings are annual and continuous but, although positive, are unquantifiable.

We have not considered alternative means of costing the sales programme but the bringing of the work "under one roof" in the Directorate for Home Ownership has enabled the costs of the programme to be identified and controlled more easily.

**LETTER TO THE DEPARTMENT OF THE ENVIRONMENT****Sale of Council Houses Enquiry**

At the hearing on Tuesday 8 July, when evidence was taken from DOE officials, Mr Rumble agreed to the Chairman's request for further additional evidence in writing for the Committee on questions which were either raised briefly during the hearing or which were not reached in the time available. The outstanding items are as follows:—

***The DOE's "Financial Appraisal", January 1980***

You will have read the criticisms of the Department's "Appraisal of the Financial Effects of Council House Sales" made by the Comptroller and Auditor General\*. Is there anything you would like to say now in reply to those criticisms? (Mr Rumble made two comments on the C and AG's minute and said that he would be happy to put in written evidence on the detailed criticism.)

***The Chartered Institute of Public Finance and Accountancy (CIPFA)***

They have indicated in their evidence (HCS35-v, p.155, para. 2.10.3) their view that some account should be taken on the 20/50-year appraisal of the cost of replacing houses sold. You have stated that this is not necessary since the need for replacement is too far in the distance to assess accurately. In the light of the evidence from CIPFA and the C and AG, are you reconsidering whether to include an allowance for the cost of replacement dwellings?

\* Printed on page I Volume III.

*[Continued]*

CIPFA have also suggested (HC535-v, p.155, para. 2.10.2) that the residual value of site (and dwellings, if any) should be considered. You state that this is too difficult to estimate accurately in 20/50-year appraisals. Would not the assumption that the real value of the site remained constant, which CIPFA have made, be more reasonable than assuming that it had no value at all?

Your appraisal includes three variants of assumptions about savings on management and maintenance costs, even the lowest of which suggests that within five years half of all management costs and three-quarters of all maintenance costs per dwelling will be saved, and the highest of which suggests "*pro rata*" savings throughout. Would you not accept, in the light of the evidence given to this Committee, that the upper variant is too high, and that the lower variant may be too high also?

#### *Other Financial Aspects*

Could you indicate how you expect management and maintenance and service charges to be handled? Will it be legitimate for blocks of flats to be treated together? (See, eg Birmingham's oral evidence, HC535-x, Q 922.)

It appears to be the case that a minority of tenants in some authorities (eg Skelmersdale Development Corporation and Leeds City Council) would be paying less on a mortgage than they currently pay in rent. How isolated do you consider these examples to be? Given the worrying increase in under-maintenance by owner-occupiers, as shown by the National Dwelling and Housing Survey 1977, do you envisage that this could lead to similar problems if tenants bought, simply with the intention of cutting their outgoings?

#### *Plans for Research and Monitoring*

What research has DOE commissioned, or does it plan to commission, on the effects of council house sales to inform future policy on this issue?

What plans does DOE now have to monitor sales? Will any statistical data be collected additional to that already published, for instance, to show the sizes and types of dwellings sold?

In your written evidence (eg questions 7, 8 and 10) you suggest that no *meaningful* estimates can be made on crucial aspects of the current policy (viz impact on distribution of income and wealth, two-year options, sale of flats). Does this imply that no estimates have been made? When do you expect to be able to make estimates?

On a small point, I think Mr Rumble also volunteered to see whether he had any information as to whether the GLC Homesteading Programme included flats as well as houses.

*Clerk to the Committee*  
9 July 1980

## DEPARTMENT OF THE ENVIRONMENT

### **The DOE's "Financial Appraisal": Comments by the Comptroller and Auditor General**

1. We assume that the points of concern to the Committee are paragraphs 23(a), 23(b) and 23(c) of the memorandum by the Comptroller and Auditor General (which referred to the effect on rent rebates of the new earnings-related state pension scheme; tax relief on interest on money borrowed by purchasers to pay for renovation work; and replacement building), and in paragraphs 27(a) to (c), 28 and 30(e) (that some of the assumptions most favourable to public funds are less probable than the assumptions least favourable). These points are commented on in order.

2. *Earnings-related pensions and rebates* (paragraph 23(a) of the Comptroller and Auditor General's memorandum). In paragraph 33 of the "Appraisal" the assumption is made that if the representative purchaser and then his widow had remained tenants, the rent they would have paid after he had reached retirement age would have been reduced by one-half as a result of rent rebate. The needs allowance now used for determining entitlement to rebate is so constructed as to provide that the householder with no income other than a National Insurance retirement pension and who does not claim Supplementary Benefit is entitled to a rebate of three-fifths of the rent. There is little up-to-date information about other income sources of retired people that is analysed by tenure; so only an assumption could be made about such income. The assumption used in the "Appraisal", that the rebate would be one-half of the un-rebated rent, implies that with an £8 average un-rebated rent (the figure used in the "appraisal"), the tenant's income from sources other than the retirement pension for a married couple would be about £13 a week, 35 per cent as great as the retirement pension.

3. The new scheme provides for a basic pension (the present pension up-rated) plus a supplementary pension equal to  $1\frac{1}{4}$  per cent of reckonable earnings in the best 20 years, ie 25 per cent in total for someone with 20 years service; but someone who retired 15 years after 1980/1 (the assumptions in the calculation) would have 17 years service. The size of the supplementary pension would depend on the householder's earnings during the 17 years, including his work experience (ie whether he experiences significant interruptions to income owing to sickness or unemployment). There are many inponderables here, and for that reason no attempt was made to include them in the Appraisal.

4. *Tax relief arising from private expenditure on renovation* (paragraph 23(b) of the Comptroller and Auditor General's memorandum). Purchasers may well incur expenditure on renovating the houses they buy; and such expenditure could in principle affect the public purse either through tax relief on interest on money borrowed to finance the work, or through improvement grants. Not much is known about the totality of improvement work done by owner-occupiers, as distinct from grant-aided work; but the English House Condition Survey of 1976 (particularly the follow up survey) suggests that the total number of owner-occupiers incurring expenditure on improvement work in any one year is well over half a million, which means that grant-aided work is a small fraction of the total. In 1976 building societies made 179,000 advances on properties already mortgaged to them; these "further" advances are understood to be mainly for the purpose of financing improvement work. Apart from the local authority loans for improvement and repair work (S.43, Housing (Financial Provisions) Act), of which there were 16,660 in 1976 to all private owners, no other information is available about loans for the improvement of houses. Nothing is known specifically about improvements by owners who bought their houses as sitting tenants, but from the figure just referred to, loan finance does not seem to be the "representative" method of finance for owner-occupiers' improvements generally, and was therefore not included.

5. *Replacement of houses sold* (paragraph 23(c) of the Comptroller and Auditor General's memorandum). This topic is the subject of a separate question from the Committee.

6. *The outer assumptions that produce a favourable result from the standpoint of the public purse are less probable than the outer assumptions that tend to the opposite result* (paragraphs 27(a) to (c), 28, and 30(c)) of the Comptroller and Auditor General's memorandum). All the alternative assumptions made are clearly specified, and the evidence relevant to them referred to. No suggestion was made in the Appraisal that the centre of any of the ranges was a more probable outcome than any other; indeed at no point was any view expressed about which assumptions were more likely to be fulfilled and which less. That is still the position of DOE Ministers; they therefore have no comment to make on the Comptroller and Auditor General's views about the probability of different assumptions.

[Continued]

### Cost of Replacing Dwellings that are Sold (observations by the Comptroller and Auditor General and CIPFA)

1. The reasons for not including among the financial consequences of council house sales the cost of replacing some or all of the houses sold were set out in paragraphs 50-51 of the "Appraisal". The Comptroller and Auditor General has commented (paragraph 23(c) of his memorandum) that his staff had questioned whether in future more of the sitting tenant purchasers than in 1967-73 might be younger householders who could have moved away to buy if they did not have the opportunity to buy at a substantial discount as sitting tenants. CIPFA have commented that if the number of sales increases "some" replacements will be necessary.

2. The discussion in the "Appraisal" referred to the representative instance. The argument advanced there, that the effect on re-lets would not occur for thirty years or more in the representative instance, does not imply that the effect would be as distant as that in each and every instance. The data summarised in the Annex to the "Appraisal" show that in 1967-73 there were some sitting tenant purchasers in their sixties or older, but not many; and that some local authority tenant householders in their fifties and sixties moved to owner-occupation in 1977, but only a very small fraction of all tenant householders of those ages. The Department acknowledges that in some instances the effect on re-lets would be earlier than in the representative instance, and that in other it would no doubt be later.

3. Since we do not yet know who has bought on the terms now available, the Comptroller and Auditor General's comment is one about future possibilities rather than present facts. That experience will be different from what it was in 1967-73 is obviously not impossible; but there is as yet no evidence — as distinct from expressions of opinion — that it will be. The Department therefore is not minded to include an allowance for replacement in its appraisal of the effects of sales in the representative instances, and considers that the reasons given in the "Appraisal" for not including such an allowance are still valid.

### The Residual Value of the Site

1. Both the 20 year appraisal and the 50 year appraisal are discounted cash flow comparisons of the present values of proceeds of selling plus costs of renovation, upkeep, and management avoided by selling, and the present value of the rent income foregone, during the 20 or 50 year periods. Expenses or receipts falling outside those periods are not included.

2. The 50 year period is not presented as being the whole of the useful life of the representative house. Experience so far suggests that the "expectation of life" of houses, in the strict sense of the age to which exactly half will survive, in Britain exceeds 100 years if the houses are properly maintained and modernised; some three-fifths of houses built between 1851 and 1871 were still standing in 1971. The average age of the local authority stock of houses (as distinct from flats — flats were not included in the Appraisal) is between 25 and 30 years; so the expected end of the useful life of the representative local authority house lies well beyond the end of the 50 year period.

3. To make the long term appraisal on the basis of the whole of the remaining useful life of the dwelling, as CIPFA recommend, would be possible. But the value in the middle of the 21st century of sites with unuseable houses on them (to be cleared before the sites could be put to new use) can in the Department's view be only a matter of pure conjecture.

### Savings in Maintenance and Management Costs

1. The last sentence of the Committee's question on this subject (as transmitted by the Clerk) reads: "Would you not accept, in the light of the evidence given to this Committee, that the upper variant is too high, and that the lower variant may be too high also?" The Department does not know of any evidence about the savings in management and

maintenance costs resulting from sales, as distinct from assumptions and expressions of opinion. For that reason three widely differing assumptions were put into the Appraisal:—

Low variant: 10 per cent of "general" management expenditure and 33 per cent of maintenance expenditure in the first year, building up to 50 per cent and 75 per cent after 5 years.

Second variant: 20 per cent of "general" management expenditure and 40 per cent of maintenance expenditure in the first year, both building up to 100 per cent after 5 years.

Upper variant: *Pro rata* saving throughout in "general" management and maintenance expenditure.

2. Paragraph 3 of the "Appraisal" explained that ranges were given only to show the sensitivity of the outcome to alternative assumptions; and no opinions were ventured about the comparative probability of the various alternative assumptions. No reasons have been presented that persuade the Department to depart from that stance.

### Service Charges in Flats

1. In answer to questions 1008 and 1010 Mr Golding correctly stated that (a) local authorities and private landlords would not be treated differently from each other under what is now Schedule 19 to the Housing Bill and that (b) the protection of tenants in the private sector had not been weakened by amendments made to take account of the position in the public sector. In fact the only amendments of the latter kind made to the Schedule concern who may certify and penalties for non-compliance.

2. The duty of the landlord under the Schedule to provide a summary of costs when requested by a tenant is essentially the same as it is in section 90 of the Housing Finance Act 1972. In both cases the possibility that the summary will cover costs in more than one building is provided for.

3. The basic provisions in the Schedule giving rights to those who pay service charges for flats would have been no different if it had not applied to local authorities, except for the points mentioned in paragraph 1 above. Furthermore the protection the Schedule gives to tenants has been extended during the passage of the Bill.

4. The summary of costs is not the same as a demand for payment of a service charge, but it must set out the costs incurred by the landlord in a way showing how they are or will be reflected in service charges payable by the individual tenant under the terms of the lease.

5. There is no specific requirement under the Schedule that the landlord must keep separate accounts for every separate block. In practice major items will often be identified separately for each block, but where any costs relate to several blocks (for instance a repair contract relating to more than one block, centralised management costs, the upkeep of common landscaped areas or roadways or where a heating system serves several blocks) the summary must show the tenant what the cost was and how his share has been calculated.

6. He can then form a view on whether the cost was reasonable and check that he is being charged his proper share and that he is not being charged for an item for which he is not required to pay under the terms of his lease.

7. The Chairman of the Committee suggested that a landlord could load the costs of work in one block onto the tenants in another. The answer is that in the first place the tenants in a block would not be liable to pay for any costs which are not covered by the

*(Continued)*

terms of their lease. Secondly, if a tenant had any reason to think that costs were being wrongly allocated the new right given in the schedule to inspect the receipts and accounts on which the summary is based should bring the facts to light.

Q. It appears to be the case that a minority of tenants in some authorities (eg Skelmersdale Development Corporation and Leeds City Council) would be paying less on a mortgage than they currently pay in rent. How isolated do you consider these examples to be? Given the worrying increase in under-maintenance by owner-occupiers, as shown by the National Dwelling and Housing Survey 1977, do you envisage that this could lead to similar problems if tenants bought, simply with the intention of cutting their outgoings?

A. Instances where net mortgage outgoings were initially lower than rent would, as far as we know, be exceptionally rare.

We assume that the reference is to the 1976 English House Condition Survey. That survey shows that although some owner occupied houses are in poor repair, nevertheless age for age owner occupied houses are in better repair than houses rented from either private or public landlords. We have no reason to think that houses bought by their owners as sitting tenants from local authorities are any less well maintained than owner occupied houses generally.

#### Plans for Research and Monitoring

Q1. What research has DOE commissioned, or does it plan to commission, on the effects of council house sales to inform future policy on this issue?

A1. It will be some time before data are available on which to base research following enactment of the Right to Buy provisions. It would therefore be premature to make a commitment to a particular research programme.

Q2. What plans does DOE now have to monitor sales? Will any statistical data be collected additional to that already published, for instance, to show the sizes and types of dwellings sold?

A2. The Department have consulted the local authority associations on a proposal that information be collected on the basis below.

Q3. In your written evidence (eg questions 7, 8 and 10) you suggest that no meaningful estimates can be made on crucial aspects of the current policy (*viz* impact on distribution of income and wealth, 2-year options, sale of flats), does this imply that no estimates have been made? When do you expect to be able to make estimates?

A3. It is not possible to add usefully to the answers given previously.

Disposal of council dwellings and other assets — receipts		Capital receipts in financial year to date £
a. Sale or lease of local authority dwellings (include "half and half" sales or similar shared ownership arrangements)	(i) initial payments received on completed sales of dwellings	
	(ii) repayments of principal on all council dwelling disposals (regular and premature)	
b. Sale or lease of land (including receipts from sales of dwellings built in partnership with private developers)		
c. Sale or lease of other housing and all other housing assets (include also repayments of renovation grants, compensation payments by contractors and other such receipts)		



Disposal of council dwellings— disposals completed in the financial year to date		Number of disposals		£ Total selling price or consider- ation net of discount	£ Total discounts allowed
		Houses	Flats		
(a) full owner- ship	(i) built for sale				
	(ii) improved for sale				
	(iii) for improvement by purchaser				
	(iv) to sitting tenants				
	(v) other				
(b) shared owner- ship	(i) built for sale				
	(ii) improved for sale				
	(iii) for improvement by purchaser				
	(iv) to sitting tenants				
	(v) other				

### GLC Homesteading Scheme

The Committee also asked whether the GLC had sold flats as part of their homesteading scheme. The answer is that they have not done so as yet but we understand that they intend to extend the scheme in order to do so and that they hope to start by offering flats within a block of flats as well as flats within a house divided into flats.

19 August 1980

[Continued]

## CITY OF BIRMINGHAM

## Sale of Council Houses

I refer to your letter of 4 July 1980<sup>1</sup> and would advise you that I am now in a position to answer your questions.

*Reference para 918*

It is not possible to provide figures on house sales on a ward basis. However, an analysis of house sales by estate has been carried out and the results are drawn on the accompanying map<sup>2</sup>.

The figures shown need some qualification in that they relate to houses built or acquired, except for slum clearance purposes, and they exclude sales of flats, maisonettes and bungalows.

A photograph of the map referred to by Councillor Wilkinson is enclosed<sup>3</sup>.

*Reference para 917*

Further calculations have been carried out on the duration of tenancies in council owned houses. During 1979, 3,870 houses were vacated out of a total stock of some 84,000 houses. This produces a turnover rate of 4.6 per cent or an average duration of tenancy of 21.7 years.

*Reference para 929*

Of the 444 buyers under the Shared Ownership Scheme pioneered by the City of Birmingham, some 250 were formerly Council tenants.

*Reference para 922*

The figures referred to by Mr Westlake for maintenance costs of flats/maisonettes are as follows:—

<b>A. Multi-storey and maisonette blocks with lifts</b>										£
Lift and T.V. aerial repair and maintenance .. .. .	..	..	..	..	..	..	..	..	..	30 <sup>2</sup>
Lift replacement .. .. .	..	..	..	..	..	..	..	..	..	17 <sup>2</sup>
Communal lighting .. .. .	..	..	..	..	..	..	..	..	..	14
Caretaking and cleaning services .. .. .	..	..	..	..	..	..	..	..	..	78
General maintenance, repairs, and build up fund for major maintenance .. .. .	..	..	..	..	..	..	..	..	..	130
<b>Total Service Charge .. .. .</b>	..	..	..	..	..	..	..	..	..	<b>£269<sup>2</sup></b>
<b>B. Walk-up flats and maisonettes with caretaking services<sup>2</sup></b>										
Communal lighting .. .. .	..	..	..	..	..	..	..	..	..	14
Caretaking and cleaning services .. .. .	..	..	..	..	..	..	..	..	..	78
General maintenance, repairs and build up fund for major maintenance .. .. .	..	..	..	..	..	..	..	..	..	115
<b>Total Services Charge .. .. .</b>	..	..	..	..	..	..	..	..	..	<b>£207</b>
<b>C. Walk-up flats and maisonettes without caretaking services</b>										
Communal lighting .. .. .	..	..	..	..	..	..	..	..	..	14
General maintenance, repairs, window cleaning and build up fund for major maintenance .. .. .	..	..	..	..	..	..	..	..	..	115
										<b>£129</b>

There is one more point that needs clarifying as a result of reading the Proof of Evidence and that is with reference to paragraph 925; the figure for the sales under the PIMs scheme mentioned by Mr Westlake, is 626.

I hope that this information answers the outstanding points arising from the oral evidence given on the 19 June 1980 but please do not hesitate to contact me if you or the Environment Committee require further clarification.

Chief Executive  
18 July 1980

<sup>1</sup>Not Printed.

<sup>2</sup>Ground floor dwellings exclude lift charges.

## CRAWLEY BOROUGH COUNCIL

Clerk to the Committee  
Environment Committee

**Environment Committee — HIPs Underspending**

I refer to your letter dated 4 July\* referring to the oral evidence given by Crawley representatives to the Committee.

I now enclose as promised details of overspending and underspending on the HIPs allocation for Crawley in respect of the years 1977/78, 1978/79 and 1979/80.

I trust that this is the information requested by the Committee but if there is any further clarification you require, please do not hesitate to get in touch with me again.

*Chief Executive*  
21 July 1980

\*Not printed.

Oral Evidence to Environment Committee on 2 June 1988  
 Supplementary Information on HEPs Underpending and Overpending

Year	Detail	Allocation	Amount	Spent	Result
1979/80	Public Sector	Housebuilding	7,560,000	8,074,124	Net underspend of £1,012,483 met by increased allocation. No "carry forward" allowed as under-spent sections
		Soc. H.S. Improvements	71,000	25,141	
		Brought forward	1,700		
		Maintenance	12,000	14,704	
	Private Sector	Improvement Grants	26,000	10,763	
		Homeing Advances	91,000	80,500	
			<u>7,761,700</u>	<u>8,205,232</u>	
1980/81	Block 1	Housebuilding (revised allocation)	6,040,000	6,545,403	Overpend of £495,475 in Block 1 met by — a) Dept. of Environment — £447,000 b) Virement Block 2 — £48,475
	Block 2	Improvement Grants	71,000	8,993	
		Homeing Advances (revised allocation)			
			<u>6,111,000</u>	<u>6,554,396</u>	<u>£443,396</u>
		Energy Conservation (Public)	47,000	45,448	"Carry forwards" allowed by Dept. of Environment — Block 1 — £13,710 Energy Conservation (10%) — £10,650 (Public Sector) (Exceptional allocation - 1 year only)
		Energy Conservation (Private)	12,000	7,761	
			<u>6,170,000</u>	<u>6,607,305</u>	
1981/82	Block 1	Housebuilding (revised allocation)	6,780,250	7,038,058	Net underspend of £1,011,258 arising mainly in Block 1 from — a) Deferred schemes - due to delayed and reduced HEP allocations b) Lockdown weather c) Construction labour difficulties. "Carry forwards" allowed — Block 1 - 10% of £6,780,250 = £678,710 Block 2 - £10,000 (small allocation start)
	Block 2	Improvement Grants	71,000	34,124	
		Homeing Advances Brought forward	12,500		
			<u>6,873,750</u>	<u>7,072,182</u>	
		Energy Conservation (Public)	71,000	79,291	
		Brought forward	10,000		
		Energy Conservation (Private)	12,000	11,751	
			<u>6,976,750</u>	<u>7,063,224</u>	

**COMMENTS BY THE DEPARTMENT OF THE ENVIRONMENT ON MR D WEBSTER'S NOTE ON COUNCIL HOUSE SALES: LOSS OF RE-LETS**

1. The Department of the environment is obliged to the Committee for a sight of Mr Webster's paper and an opportunity to comment. The time allowed for comment was, however, very short, so that the comments are necessarily less full and detailed than they might have been.

2. The first point to make is that how many households that bought as sitting tenants from a local authority would have moved away, either to buy a house or to rent accommodation from a private landlord, an employer, or a housing association, if they had not had the opportunity to purchase as sitting tenants, is a matter of possibilities, not certainties. Characteristics of the household provide clues but hardly proof. Age is highly relevant, especially because so few people buy a house on mortgage for the first time at ages higher than the early or middle forties. But age is not the only influence: income, savings, employment prospects, family circumstances are all likely to be relevant. Age can be used to delineate groups of sitting tenant purchasers who would be unlikely to have moved away to buy; but how many of those sitting tenant purchasers at lower ages would otherwise have moved away to buy is very uncertain. Experience in 1971-73, however, when the number of sales to sitting tenants was higher than ever before but the number of moves from council tenancies to buy houses was also higher than in previous years, argues against any general presumption that an increase in sales to sitting tenants replaces moves away to buy that would otherwise have been made by tenants who had the wish and the financial means to become owner-occupiers.

3. These provisos do not apply in the same way, though, to estimating the number of dwellings that would become available for re-letting because the occupier had died leaving nobody to carry on the household, gone to live as part of someone else's household, or gone to live in a home for old people. The probability of a household being dissolved in these ways depends on age, and on marital status (for when one member of a married couple dies the surviving partner usually — though not always — carries on the household). The Department would do the calculations differently from Mr Webster, in particular by starting with registration figures of deaths classified by age, marital status, and sex, and using the data from the National Dwelling Housing Survey on tenure according to age and marital status. Such calculations suggest that the effect of sales on the number of re-lets arising from dissolution of households is some three to five per 1,000 sales in the first year (according to the assumption made about the age distribution of purchasers). Over 10 years, the effect appears to be in the range 45 to 70 per 1,000 sales.

4. The published *Appraisal of the Financial Effects of Council House Sales* drew attention to the implication of the age distribution of purchasers, that in the representative instance many years would elapse before the household was dissolved by death, going to live with another household, or to an old people's home. It pointed out, though, that what was true of the representative instance was not necessarily true of each and every instance (paragraph 50). Mr Webster's criticism (paragraph 4 of his note) of vagueness about the distinction between an average and a distribution is therefore not accepted.

5. If the hypothetical number of sitting tenant purchasers who would have moved away had they not been able to buy is worked out from the ages of sitting tenant purchasers (as far as they are known) the ages of householders moving away, and the ages of all tenant households, the result is about 15 to 20 per 1,000 sales in the first year, and 115 to 150 per 1,000 sales over 10 years. The method used to work out these figures differs in detail from that used by Mr Webster, in that it uses the National Dwelling and Housing Survey as the source of the number and age of local authority tenants, and ignores the figures for Milton Keynes as being in all probability un-representative of the generality of purchasers. That these figures of the effect of sales on re-lets of moves away from local authority tenancies are much more of a hypothetical construct than are those of the effects of household dissolution must be emphasised. For that reason, the totals arrived at by adding them are only of limited significance.

6. Mr Webster's conclusion (paragraph 25 of his note) is considered not to be substantiated; nor are his strictures on the Department's evidence to the Committee.

DoE

17 September 1980

### Effects on Re-lets of Sales of Council Houses to Sitting Tenants

#### *Supplementary note by the Department of the Environment*

1. The Committee has asked for details of the calculations from which were produced the figures referred to in paragraphs 3 and 5 of the Department's note dated 17 September 1980 on Mr D Webster's paper. Paragraph 3 referred to dissolutions of households at high ages; paragraph 5 referred to households that would have moved away if they had remained tenants. The two sets of calculations are separate, and so may be separately described.

#### *Dissolution of Households at the High Ages*

2. There are three ways in which households dissolve at high ages:—

- (i) through death of the householder
- (ii) through the householder going to live as part of a household headed by someone else (eg an elderly widow going to live with her son and daughter-in-law)
- (iii) through the householder going to live in institution (eg an old people's home) or in some other residence that is not a private household.

Estimates were made of the number of local authority tenant households dissolved in 1977 in these ways, analysed by age. The number of households in each age range dissolved was then compared with the total number of local authority households in each age range and an average "dissolution rate" calculated.

#### *(i) Deaths*

3. The starting point was deaths in 1977, as tabulated by the Office of Population Censuses and Surveys (OPCS) from death registrations. Deaths are analysed by sex, marital status, and age. From these data by a sequence of steps an estimate was made of the number of deaths of heads of households who were local authority tenants; and then of the proportion of instances in which the death of the household head was likely to have led to the dissolution of the household.

4. The first step was to estimate the number of deaths that were of men and women whose usual place of residence was somewhere other than a private household, for such men and women could not, by definition, be heads of household. The number of men and women, analysed by age, not resident in private households was taken from the 1971 Census, as there is no more recent information on this subject. The deduction from deaths on this ground was not *pro-rata*: for the OPCS Longitudinal Study (in which a sample was drawn from 1971 Census enumeration records, and subsequent death registrations of numbers of the sample linked to the Census data) showed that among residents of non-private households mortality was three-quarters as high again among men, age for age, than in the whole population, and almost twice as high among women (Peter Goldblatt and John Fox, "Household mortality from the OPCS Longitudinal Study" in *Population Trends* No 14). Such a difference in mortality would be expected, as long-stay patients in hospital or residents of old people's homes are likely to be more frail, age for age, than those living in their own homes. Subtraction of estimated deaths outside the private household population from the total leaves deaths (analysed by age, sex, and marital status) in the private household population.

5. The second step was, for deaths of single, widowed, and divorced men and women, to estimate the number that were heads of households. This was done by applying to

each group defined by sex, marital status, and age the appropriate headship rate (ie ratio of heads of household to total private household population in a defined group) as calculated from the Department's National Dwelling and Housing Survey (NDHS).

6. For deaths of married men and women a different procedure had to be followed, for whether the death of a married man or woman results in the dissolution of the household depends on whether the surviving partner carries the household on. Whether he or she does so is influenced by age. So from the age distribution of deaths of married men the age distribution of surviving widows had to be estimated, and age-specific headship rates for widows applied in order to estimate the number of deaths of married men where the widow carried on the household. The number where she did not was then obtained by subtraction. A corresponding calculation was made from deaths of married women. The analysis age of surviving widows classified by age of the deceased married man was taken from the Annual Report of the Registrar General for Scotland 1977 (Part 2, Table P2.6(A)) as such a table is not produced for England and Wales.

7. The third step was to apportion by tenure the number of deaths of household heads who were single, widowed, or divorced men and women, and deaths of married men and women where the surviving partner did not carry on the household. From NDHS were produced distributions between tenure for each category of household head (defined by marital status, sex, and age). To use those distributions as they stood (eg to assume that because 40 per cent of widow household heads aged 70-74 were local authority tenants, therefore 40 per cent of widow household heads aged 70-74 who died were council tenants) would be appropriate only if mortality did not vary with tenure. The OPCS Longitudinal Study (see the reference cited in paragraph 4) indicates, however, that this is not so, and that mortality is systematically heavier, age for age, among local authority tenants than in other tenures. The mortality differences reported by Goldblatt and Fox were therefore used to modify the apportionment of deaths of household heads between tenures.

8. That apportionment between tenures completed the estimate of the number of married couple local authority tenant households dissolved by death. For households headed by widowed, divorced, and single men and women it is necessary to estimate the proportion of instances in which death of the household head dissolves the household. With a one-person household it obviously does so. There is no direct evidence about what happens to multi-person household; but for present purposes the assumption is made that in lone parent households the surviving son or daughter continues the household, whereas in the fairly small number of other multi-person households the surviving member(s) continue the household in one half of the instances.

9. The estimated number of dissolutions of local authority tenant households in 1977 due to deaths is shown in Table 1. The table refers to England; since the analysis of deaths refers to England and Wales, the figures were scaled *pro rata* to:—

all deaths in England in 1977  
all deaths in England and Wales in 1977

(0.939)

Table 1. Dissolution of Local Authority Tenant Households Due to Death (England 1977)

	Age					
	30-44	45-59	60-69	70-79	80 and over	All ages
<i>Deaths of</i>						
Married men	100	800	1,800	2,000	1,000	5,700
Widowed men	—	600	2,700	6,700	6,600	16,600
Single men	100	800	1,600	1,500	700	4,700
Divorced men	100	400	500	500	100	1,600
Married women	—	400	700	900	900	2,900
Widowed women	—	1,200	4,700	15,100	19,400	40,400
Single women	100	400	1,000	2,600	4,300	8,400
Divorced women	200	300	400	400	—	1,300
<b>Total</b>	<b>600</b>	<b>4,900</b>	<b>13,400</b>	<b>29,700</b>	<b>33,000</b>	<b>81,600</b>

[Continued]

10. The entries in Table 1 are shown to the nearest hundred to avoid accumulating rounding errors, and cannot be relied on to be as accurate as that. In estimating the number of households who bought their houses as sitting tenants that would have been dissolved by death, it is the last row, the age group totals, that is relevant. For present purposes the detail by marital status and sex constitutes only an intermediate step.

(ii) *Household heads going to live as part of someone else's household*

11. The number of households dissolved by moves to live as part of someone else's household was estimated from the decline in headship rates (see paragraph 5 above for the definition of this concept) with age. The headship rates used for this purpose were calculated from the National Dwelling and Housing Survey (NDHS) and are summarised in Table 2. The method may be illustrated by an example. The headship rate for widows aged 75-79 was 88.1 per cent, and for widows aged 80-84 79.9 per cent. If age-specific headship rates did not alter through time, then over five years the headship rate among widows aged 75-79 at the outset would fall to 79.9 per cent (ie when they became aged 80-84). The fall of 8.2 percentage points over 5 years is equivalent to 1.64 percentage points a year. The total number of widows aged 75-79 in the private household population, according to NDHS, was 451,000; so the first stage of the calculation of the number of widow householders going to live as part of another household is 1.64 per cent of 451,000, ie 7,400. Deaths are brought in at the next stage; the probability of death within one year for women aged 75-79 is put at 0.0641 (the mean of the probabilities at exact ages 75 and 80, from English Life Table No. 13), which reduces the figure to 6,900. The effect of introducing a further modification to allow for mortality being slightly lower in the private household population than in the whole population (paragraph 4 above) was examined, but is too small to register in this calculation; for although mortality in the non-private household population is much heavier than in the private household population, even at ages 75-79 the non-private household population is a small fraction of the total.

12. The erratic sequence of headship rates for divorced men and women and single men is perhaps due to sampling variation. The rise in headship rates with age for single women is probably due to women at the high ages ceasing to live as members of other households, and setting up home on their own, in numbers that more than offset the numbers moving the other way.

13. The number of households dissolved in each category defined by sex, marital status, and age was calculated in the way exemplified in paragraph 11 above. Within each category the households dissolved were apportioned by tenure in the proportions found in NDHS for all households in that group. That procedure assumes that the probability of ceasing

Table 2. Headship Rates At Age 60-64 and Higher: England 1977

	Men				Women		
	Married	Widowed	Single	Divorced	Widowed	Single	Divorced
Age							
60-64	99.4	90.7	72.1	83	91.5	69.6	83
65-69	99.0	90.7	67.5	76	91.6	67.7	88
70-74	98.8	89.8	74.2	84	89.2	75.2	81
75-79	97.9	85.5	80	...	88.1	78.5	85
80-84	96.0	79.0	80	...	79.9	79.3	...
85-89	...	...	...	...	74.1	...	...
90 and over	93.0	68.5	72	...	59.0	82.6	...

Notes: whole numbers are shown when the sample numbers from which the percentages are calculated are small. These dots denote no observations in the sample.



to live as a separate household and going to live as part of another household does not vary with tenure (given age, marital status and sex). This assumption cannot as yet be checked, but in the absence of data to verify it there are no grounds for making a different assumption. The number of local authority tenant households dissolved as estimated by the method described is shown in Table 3.

14. Two qualifications to the figures in Table 3 should be mentioned. The method of calculation outlined in paragraph 11 assumes that age-specific headship rates are stable; if they are rising through time, the number of households dissolved will be over-estimated. Comparison of the headship rates for the groups relevant here with the Census-derived headship rates for 1971, 1966, and 1961 indicates that the rise in the 1970s was much slower than in the 1960s; but it is probable that the estimates of widow and widower households dissolved are slightly high. In the other direction, it is possible that the rise in headship rates with age among single women does not pick up household dissolutions that are offset by new households formed. The number cannot be large (given the number of single women at the relevant ages); but there is clearly the possibility of an underestimate. These two sources of error work in opposite directions, of course.

(iii) *Household heads going to live in institutions*

15. The estimate of this category of household dissolutions is much less detailed than of the two categories previously discussed. Only for homes for old people has an estimate been made, though these are by far the most important in terms of numbers of residents for the age groups relevant here. Information thus far available about new entrants to homes for old people comprises their age and sex, and where they came from, with living on their own distinguished from living with others, but no other information about their housing circumstances.

16. The estimates made assumed that those who were hospital patients before entering old people's homes were divided, before entering hospital, between living on their own and living with others in the same proportions (within each age group) as those who went directly from private households to old people's homes. It was further assumed that the housing tenure of those previously living on their own was the same in proportional terms as for all widowed, single, and divorced men or women in each age group. These assumptions produce the following estimates of local authority tenants living on their own who entered old people's homes in 1977: aged 60-69, 600; aged 70-79, 3,400; and aged 80 or over, 5,500; which makes 9,500 in total.

**The Calculation Summarised: Dissolution Rates for Local Authority Tenant Households and Proportion of Sitting Tenant Purchaser Households that would Dissolve**

17. Table 4 brings together the estimates in categories (i), (ii) and (iii) above, and compares them with the total number of local authority tenant households. All the figures include, indistinguishably, tenants of new towns as well as of local authorities proper; but the new town tenants were too few as a proportion of the total for significant error to be introduced by using the calculated household dissolution rates to refer to local authority tenants alone.

18. To estimate the number of sitting tenant purchaser households that would dissolve

**Table 3. Local Authority Tenant Households Dissolved by Moves to Join Other Households: England 1977**

	60-69	70-79	80 and over	All ages
<i>Married men</i>	—	600	300	900
<i>Widowed men</i>	100	900	1,000	2,000
<i>Widowed women</i>	800	3,200	3,500	7,500
<b>Total</b>	<b>900</b>	<b>4,700</b>	<b>4,800</b>	<b>10,400</b>

[Continued]

Table 4. Dissolution of Local Authority Households: Analysis by Age

	<i>All LA and NT Tenant Households</i>	<i>Death</i>	<i>Live with other Household</i>	<i>Old People's Home</i>	<i>All Dissolutions</i>	<i>Dissolution Rate (per 1,000)</i>
	('000)	('000)	('000)	('000)	('000)	
Under 30	516	—	—	—	—	—
30-44	990	0.6	—	—	0.6	0.6
45-59	1,477	4.9	—	—	4.9	3.3
60-69	1,010	13.4	0.9	0.6	14.9	14.8
70-79	770	29.7	4.7	3.4	37.8	49.1
80 or over	250	33.0	4.8	5.5	43.3	173.2
All ages	5,013	81.6	10.4	9.5	101.5	

Table 5. Sales, Household Dissolutions, and Re-Lets

<i>Age</i>	<i>Dissolution Rate per 1,000 (Table 4)</i>	<i>Age of Purchasers</i>		<i>Number of Purchaser Households Dissolved</i>	
		<i>A</i>	<i>B</i>	<i>A</i>	<i>B</i>
Under 30	—	10	100	—	—
30-44	0.6	310	480	0.19	0.29
45-59	3.3	550	360	1.82	1.19
60-69	14.8	90	40	1.33	0.59
70-79	49.1	40	20	1.96	0.98
80 or over	173.2	—	—	—	—
<b>Total</b>		<b>1,000</b>	<b>1,000</b>	<b>5.30</b>	<b>3.05</b>

Note: 'A' refers to the age distribution of purchasers reported by Murie; 'B' refers to the age distribution of purchasers reported by Miss Niner.

within one year, the dissolution rates in Table 4 were applied to the number of purchasers in the relevant age range.

19. The age distributions were taken from the work of A Murie and Miss P Niner (see the published *Appraisal of the Financial Effects of Council House Sales*, Annex, paragraph 13, for citations of sources). The data provided by the eight authorities listed on page 3a of Mr Webster's paper was not used because the age ranges, time periods, and sample sizes were too heterogeneous for the separate samples to be pooled. Interpolation is necessary to put Murie's data into age ranges comparable with the age-specific household dissolution rates calculated in Table 4. The interpolation in the Department's calculation was done slightly differently from Mr Webster's; Mr Webster divided Murie's 40-49 age group evenly between 40-44 and 45-49; but since the 50-59 group is nearly twice as large as the 30-39 group, it is considered that the 40-44 group would be likely to be smaller than the 45-49 group. Miss Niner did not further sub-divide the 60 and over age group; for present purposes they have been divided between the 60-69 and 70 and over groups in the same proportions as in Murie's sample. Those in the sample aged 70 and over are assumed to have been under age 80.

20. In view of the wide range of assumptions and approximations that had to be used in estimating the number and age of households dissolved, the figures in the last two columns of Table 5 were rounded to 5 per 1,000 and 3 per 1,000.

21. The expected number of households dissolved in a period of 10 years is not equal to 10 times the number calculated in Table 5, because survivors move gradually to higher age ranges where correspondingly higher dissolution rates apply (for instance, 10 years

on the survivors of those aged 60-69 at the outset will be aged 70-79). The age ranges are too broad for the cumulative expected number of households dissolved over a run of years to be calculated at all precisely. But in very broad terms the age distribution that produces an estimate of three dissolutions per thousand to start with would probably produce between 40 and 45 per thousand over 10 years, and the distribution that produces five per thousand to start with produces 70 per thousand over 10 years.

#### *Movers Away to Other Tenures*

22. As mentioned in the Department's memorandum dated 17 September that commented on Mr Webster's paper, whether (and, if so, when) sitting tenant purchasers would have moved away to other tenures if they had not had the opportunity to purchase as sitting tenants are questions with no certain answers. An estimate of the number of purchasers who would have moved away if the proportion who would have done so were the same as for all tenants, age for age, can therefore be no more than a hypothetical construct. Other factors besides age are likely to be relevant, even though there is not the information about them to put into a calculation. The calculation in terms of age is provided here solely to explain, as requested, the way in which the figures in paragraph 5 of the Department's memorandum were arrived at.

23. To make such a calculation as can be produced from the information available, movement rates (movers out to other tenures as a proportion of all households) specific for age are required. Details of the way in which such rates were calculated are shown in Table 6. Further work on grossing up the sample data from the Movers Survey suggests that the estimated number of moves from local authority tenancies to owner-occupation should be revised from the 50,000 shown in the Annex to the published *Appraisal* to 45,000; and that the number of moves to accommodation rented from private landlords, employers, and housing associations should be revised from 20,000 to 25,000. The estimated age distributions in percentage terms of movers are not affected by these revisions to the grossing.

24. The age-specific movement rates from Table 6 were then applied to the age distributions of purchasers (see paragraph 19 above for discussion).

25. In the Department's memorandum, the figures 14.80 and 20.38 were rounded to 15 and 20.

26. The number of households that would have moved away in 10 years, if the movement rates in Tables 6 and 7 had applied throughout, is less than 10 times the number shown in Table 6, for two reasons: the movement rates fall as age rises; and the movement rates apply to the remaining purchasers "at risk" not to the original number (for instance, with a constant 20 per thousand movement rate, the expected number per thousand purchasers in the first year is 20; but in the second year  $(20+1,000) \times 980 = 19.6$ , and in

Table 6. Movement Rates from Local Authority Tenancies to Other Tenures

Age	All Tenants	Moves to other Rented Accommoda- tion	Moves to Owner- Occupation	All Moves to Other Tenures	Movement Rate (per 1,000)
	('000)	('000)	('000)	('000)	
Under 30	516	8	13	21	40.7
30-44	990	4	21	25	25.3
45-59	1,477	7	9	16	10.8
60-69	1,010	3	2	5	5.0
70-79	770	3	—	3	3.9
80 and over	250	—	—	—	—
All ages	5,013	25	45	70	14.0

*[Continued]*

Table 7. Hypothetical Number of Movers per Thousand Purchasers

Age	Movement Rates (from Table 6) per 1,000	Age of Purchasers		Number of Purchaser Households that would have moved	
		A	B	A	B
Under 30	40.7	10	100	0.41	4.07
30-44	25.3	310	480	7.84	12.14
45-59	10.8	550	360	5.94	3.89
60-69	5.0	90	40	0.45	0.20
70-79	3.9	40	20	0.16	0.08
80 and over	—	—	—	—	—
Total		1,000	1,000	14.80	20.38

Note: See Table 5 for meaning of 'A' and 'B'.

the third year  $(20 \div 1,000) \times 960.4 = 19.21$  and so on in subsequent years). As with dissolutions, the width of the age ranges makes precise calculations of cumulative numbers impossible; but 115 per thousand and 150 per thousand are considered to be reasonable estimates of the number of households moving away within 10 years out of population with the age distribution shown in Table 7.

DoE, 29 September 1980

#### Letter from the Central Policy Planning Unit, Department of the Environment

To the Clerk to the Select Committee on the Environment,

Thank you for your letter of 2 October, in which you put to the Department four questions on re-lets and the sale of council houses. I will deal with these questions in turn.

Question 1 asked about re-lets arising as a result of departures caused by emigration, re-marriage etc. We do not have the information to estimate an age distribution for these groups of movers, nor can we estimate their number at all accurately, beyond noting that it cannot be large, in view of the total number of re-lets and the numbers of departures at high ages and to other tenures.

Question 2 referred to second and third round effects on re-lets arising from sales. Whether houses re-let to new tenants would themselves be re-let within a specified period depends who the new tenants were; a flat or bungalow newly let to a lady in her 80s living alone, for example, would be likely to become available for re-letting much sooner than a house newly let to a deserted mother with young children. The number of such second round re-lets could be estimated only with the aid of assumptions about the characteristics of incoming tenants, and further assumptions about probabilities of departure. The Department does not consider that there is sufficient information to make such assumptions.

Moreover, we think that to include second round, third round, and higher order effects is misleading if a calculation is being made of the cost of new building to offset effects on re-lets. For new building would cope with second round effects and beyond, as well as with initial effects. The argument is that if A, the sitting tenant purchaser, had remained a tenant and then moved away, the house in which he lived could have been re-let to B, when B moved away it could have been re-let to C, and then in turn to D when C moved away. But if a fresh house is built or bought for letting to B, then the re-lettings to C and D can be made without any further expense.

In Question 3 the Committee asked that estimates should be provided of the cumulative effect on re-lets over 20 years and 30 years, with reference to the Committee and the Department arriving at an agreed estimate. An estimate of the cumulative effect on re-lets over 20 years and 30 years is not, however, something that was included in the published *Appraisal of the Financial Effects of Council House Sales*, or referred to in correspondence between the Committee and the Department, or in the Department's oral evidence. It is much more than a development of what was said in paragraph 50 of the *Appraisal* about the length of time that the representative purchaser and then his widow would otherwise have remained as tenants. The direct effect of sales on re-lets (leaving out of account for the moment secondary and subsequent effects, which are referred to earlier in this letter) depends on the age of the purchaser, household dissolution rates at high ages, and the probability of sitting tenant purchasers later moving away to other tenures if they had not bought. What these probabilities are, and how they would change over 20 or 30 years, appear to the Department to be highly uncertain, much too uncertain for the Department to prepare or to endorse such a calculation as an agreed estimate: therefore we do not give such an estimate.

Question 4 was about moves by elderly tenants to institutions other than old people's homes. The figures cover all homes for old people, not just those provided by local authorities; and they include people who move to old people's homes after discharge from hospitals where they were long-stay patients. The only moves to institutions not included in the figures are moves to hospital as long-stay patients by people who die there; and moves to live as resident guests in hotels. There is not the information about either to estimate with any claim to accuracy the number of former local authority tenant householders moving there; but there is no reason to think that the numbers are large.

24 October 1980

HOUSE OF COMMONS

Second Report from the

ENVIRONMENT  
COMMITTEE

Sessions 1980—81

COUNCIL HOUSE SALES

APPENDICES

VOLUME III

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*Ordered by The House of Commons to be printed*

*16 June 1981*

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£4.90 net



16 June 1981]

[Continued

The Environment Committee is appointed under S.O. No. 86A to examine the expenditure, administration and policy of the Department of the Environment and associated public bodies and similar matters within the responsibilities of the Secretary of State for Northern Ireland.

The Committee consists of eleven Members, of whom the quorum is three. Unless the House otherwise orders, all Members nominated to the Committee continue to be members of it for the remainder of the Parliament.

The Committee has power:

- (a) to send for persons, papers and records, to sit notwithstanding any adjournment of the House, to adjourn from place to place, and to report from time to time;
- (b) to appoint persons with technical knowledge either to supply information which is not readily available or to elucidate matters of complexity within the Committee's order of reference.

*26 November 1979*

The Environment Committee was nominated of:

Mr Donald Anderson, Mr David Atkinson, Mr Frank Dobson, Mr Bruce Douglas-Mann, Mr Jim Marshall, Dr Brian Mawhinney, Mr Norman Miscampbell, Mr Nicholas Scott, Mr Robin Squire, Mr Malcolm Thornton and Mr David Winnick.

*14 December 1979*

Mr Donald Anderson discharged  
Mr David Atkinson discharged

Mr Geoffrey Johnson Smith added

*1 February 1980*

Mr John Sever added

*23 January 1981*

Mr Jim Marshall discharged

*13 April 1981*

Mr Reginald Freeson added

16 June 1981]

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## MEMORANDA

Memoranda submitted by those who gave oral evidence are printed either immediately before the evidence they gave or among the Appendices to the Minutes of Evidence. A large number of memoranda submitted by others, listed in Annex II, have also been reported to the House. To save printing costs they have not been printed but copies have been placed in the House of Commons Library where they may be inspected by Members. Other copies are in the custody of the Clerk to the Committee.

## FOOTNOTES

Where memoranda have been printed the footnote reference to them includes a page reference to the Evidence. Unprinted papers are identified merely by the reference number given them by the Committee.

*[Continued]*

## APPENDIX 1

## FINANCIAL CONSEQUENCES OF THE SALE OF COUNCIL HOUSES

## NOTE BY THE C&amp;AG

1. I attach a memorandum by my Department on this subject.
2. I informed the Public Accounts Committee earlier in the Session that my Department was examining the financial effects on the Exchequer and public funds generally of council house sales, and that I had in mind to produce a report on the subject. The attached memorandum is the result of my enquiries. It was presented to PAC, but that Committee decided, in view of the major inquiry already being conducted by the Environment Committee, not to take evidence upon it, but allow it to be made available to that Committee. It may be helpful to the Select Committee if I give a brief explanation of my reasons for examining this subject and of my approach in preparing the memorandum.
3. Policy on the sale of council houses is a matter of considerable current interest, and controversy, but such sales have been taking place for many years, under varying policy directives from Central Government to the local authorities and other housing authorities concerned. Early in 1979, when the recent increase in the scale of council house sales had become evident, I considered whether I should examine the financial implications. In examining the financial implications of Government policies, my Department is normally concerned to ascertain whether any estimates given to Parliament were soundly based and whether they can be checked against the eventual costs. For council house sales, however, no authoritative official financial assessment had been published or presented to Parliament although it was widely recognised that they could have major consequences for the Exchequer in varying ways, many of them complex and uncertain. In March 1979 the Government of the day acted to restrict the circumstances in which sales might be made by revising the general form of consent. The situation changed again in May 1979, when the new Administration introduced a policy of encouraging sales on a much larger scale by revoking the latest consent and reverting to the form which had operated from 1970 to March 1979, but with provision for more generous discounts from market values.
4. I concluded that this was a suitable time at which to review what had been done to assess and consider the financial consequences for the Exchequer of selling council houses. I subsequently informed the Department of the Environment that I was considering making a report to Parliament on this matter.
5. In October 1979 the Secretary of State for the Environment informed the House of Commons that it was his intention to produce an appraisal of the financial effects of the sale of council houses for parliamentary consideration of the then forthcoming Housing Bill. The Department of the Environment, the Scottish Development Department, and the Welsh Office jointly published this appraisal in January 1980; and I have been able to base my own staff's examination upon it. Like the departmental appraisal itself, my examination has dealt purely with the financial consequences and has not been concerned at all with the social, economic or political arguments in favour of either stimulating or restricting the sale of council houses.
6. Council house sales come under my purview because of their effect on accounts which I audit. As noted in paragraphs 3 and 4 of the memorandum, Departmental accounts bear very heavy expenditure by way of housing subsidies to assist in the creation of public assets, and Revenue accounts are also affected by the extent of the relief on mortgage interest which results from sales. The Exchequer therefore has a very clear interest both in the apportionment of the proceeds of sale of the assets and in the various financial consequences of selling them.

Comptroller and Auditor General  
15 May 1980

## FINANCIAL CONSEQUENCES OF THE SALE OF COUNCIL HOUSES

*Memorandum by the Comptroller and Auditor General**Background*

1. Recently there has been renewed public debate about the social and financial consequences of allowing public housing authorities to sell houses originally built for letting. This is not a new issue, since Secretaries of State have long exercised their powers under Housing and New Towns legislation to grant general or specific consents to sales, imposing such conditions as they think expedient as to price and other matters. The actual numbers sold have also been influenced by the general guidance given by Secretaries of State, the policies pursued by individual housing authorities and the level of demand from would-be buyers.

2. The approximate number of dwellings sold in Great Britain during the last decade, mainly to sitting tenants, has been as follows:—

1970 — 6,700	1975 — 2,600
1971 — 20,100	1976 — 3,000
1972 — 62,700	1977 — 12,800
1973 — 43,400	1978 — 30,200
1974 — 5,400	1st 3 quarters of 1979 — 27,800

The substantial increase in sales in 1971-73 followed the introduction in 1970 of new general consents, and the encouragement by Secretaries of State, to sell. Revised guidance was issued in April 1974, drawing attention to the Secretaries of State's view that it was generally wrong to sell council houses in areas where there were substantial needs to be met for rented dwellings; but no formal change was made in the general consent until 1979. The current conditions of consent, introduced in May 1979, give housing authorities discretion to sell dwellings at full market value with vacant possession; or, where certain conditions on re-sale are imposed, to offer sitting tenants discounts ranging from 33 to 50 per cent on market value and to offer other persons discounts of up to 30 per cent. For sales in England and Wales, the discounted price must not be lower than original cost; this restriction does not apply in Scotland, where the selling authority's pre-emption rights in the event of re-sale are slightly different. The Housing Bill and the Tenants' Rights Etc (Scotland) Bill currently being considered by Parliament would give local authority, new town and certain housing association tenants the right to buy their own houses on similar terms.

*Exchequer Assistance towards the Provision of Housing*

3. In March 1979 local authorities in Great Britain owned a stock of some 6 million dwellings, and new towns a further 150,000, towards the provision of which Exchequer subsidies had made a substantial contribution. About one-half of the £3,000 million provided in 1979-80 in the Housing Votes for England, Scotland and Wales and in the New Towns Scotland Vote (Class VII, Votes 1-4) was for subsidies towards the cost of providing local authority and new town housing. In England and Wales the rate of contribution for new housing since 1975-76 has been 66 per cent on loan charges on admissible expenditure. Under the existing rules, subsidy ceases to be payable in respect of houses sold, but past subsidy is not recoverable from housing authorities by the Exchequer.

4. General assistance is also provided to owner-occupiers in the form of tax relief on mortgage interest. In December 1978 some 11 million dwellings were owner-occupied in Great Britain. 45 per cent of these were owned outright: the tax foregone on the remainder in 1978-79 was estimated by the Inland Revenue at £1,110 million rising to £1,450 million in 1979-80.

*The Departmental Appraisal*

5. The Department of the Environment, the Scottish Development Department and the Welsh Office jointly published in January 1980 an appraisal of the financial effects of council house sales. This Memorandum, like the Departmental Appraisal itself, is not concerned with the social, economic or political arguments in favour of either stimulating or restricting the sale of council houses, but deals purely with the financial consequences.

*(i) General*

6. The financial consequences of sales are complex: they cannot be assessed with certainty even in retrospect. In practice they are affected by a combination of factors which may vary between individual houses, authorities and purchasers, or between different periods of time.

*[Continued]*

The Appraisal is therefore related to what it presents as reasonably representative figures — ie to a typical sale; and in general it applies to a sale made at about the present time.

7. The Appraisal comments that account must be taken of both short-term and longer-term effects. The calculations therefore seek to illustrate the estimated gains and losses in cash flow, discounted to present value where appropriate, over periods of one year, 8 years, 20 years and 50 years following an assumed typical sale.

8. The Appraisal sets out to show the financial effects both from the standpoint of local authorities and central government combined ie public funds as a whole. It does not provide a separate assessment from the standpoint of central government alone; and the remainder of this memorandum (apart from paragraphs 30 and 31) relates to the assessment for the public sector as a whole which is clearly the more appropriate for the consideration of Parliament.

9. The main factors determining the financial benefits derived by the public sector from a typical sale are identified in the Appraisal as the *selling price* (which is affected by the size of the discount from market value) and the future *expenditure on upkeep, management and renovation* which is avoided. On the other hand, the public sector forgoes the *rent (less rent rebate)* that the house would have produced, and has to meet the cost of any *tax relief on mortgage interest* (or option mortgage subsidy) allowed to the new owner-occupier.

10. Estimates are provided for each of these factors. The selling price of £8,400 is estimated by assessing the current market value at the present time (at £14,000) and by deducting a discount of 40 per cent (ie the middle of the range of 30–50 per cent mentioned in paragraph 2 above). The other factors relate to future circumstances and estimates of their significance depend on a variety of assumptions about public sector policies (affecting rents, and renovation of public housing) and about economic conditions (interest rates, earnings and the rate of inflation which affect for example calculations of present value).

11. For each variable factor the Appraisal specifies a range of possible assumptions; and the application of this approach in each period (1, 8, 20 and 50 years) produces a wide range of results which are set out in tabular form. In presenting these results, the Appraisal makes it clear that they are not intended to show the bounds within which the answers must necessarily lie but only to demonstrate the sensitivity of the calculations to alternative assumptions.

(ii) *First Year Assessment*

12. For this assessment the dominant assumption (based on experience in recent years) is that some 30 per cent of the purchase money will be paid in cash. Taking account also of other factors the range shown is of a net benefit during the year to public funds of between £2,604 and £2,721.

(iii) *Assessment over 8 years*

13. Exceptionally, for this assessment, the appraisal does not seek to illustrate what might happen in the case of a typical sale in 1980–81, but estimates the cash flows in respect of a house sold in 1970–71. On the assumption that 30 per cent of the purchase price was paid in cash (at 1970–71 prices), the example shows a net gain to public funds of £864 in 1970–71. On assumptions based where possible on historic data (eg on actual average rents), the example shows a net cost to public funds in subsequent years, rising from £2 in 1971–72 to £68 in 1978–79.

(iv) *Assessment over 20 years*

14. The Appraisal provides assessments for this period with the comments that 20 years is perhaps the maximum period for which economic assumptions can be regarded as having some degree of predictability, but that even this is very questionable. The aggregate effect over 20 years of the various alternative economic and other assumptions made is to produce assessments showing a possible net gain to public funds over that period ranging from £136 up to £7,600. (Tables 11 and 16 of the Appraisal illustrate how various assumptions might be combined to produce different results within this range).

(v) *Assessments over 50 years*

15. Similar calculations for 50 years produce assessments showing a range extending from a possible net loss to public funds of £4,480 to a possible net gain of £9,218. The general

comments in the Appraisal are that economic assumptions that reach to the year 2030, and therefore any conclusions from them, must be largely if not wholly speculative.

### *Observations on the Appraisal*

#### *(i) General*

16. The Appraisal is a very detailed document, which considers in some depth the main factors likely to affect the financial outcome. It describes the basis and logic of its methods of assessment, and provides justification for the assumptions used in its calculations. It rightly points out that account must be taken of both the short and the long term consequences; and emphasises that there can be no certainty in such assessments.

17. Assessing the overall financial consequences of selling a revenue producing asset is bound to be difficult. Whether or not these consequences will be advantageous to the seller in the long-term, there should be, in cash flow terms, an immediate or short-term benefit. This point is illustrated in the Appraisal by the possible results in the first year, and over 8 years, of a typical council house sale (paragraphs 12 and 13 above); and I have no comments on the limited number of assumptions and judgments which underlie those calculations.

18. The really serious difficulties arise in assessing the overall long-term effects; for these will depend, *inter alia*, on changes in circumstances which cannot be forecast accurately. The difficulties are particularly great where, as with council houses, the asset is expected to have a very long life and the net revenue it would produce would be affected by unpredictable future changes in public sector policies. It is not surprising therefore that the Appraisal should show that, depending on the assumptions made about events over the next 50 years, the overall result might be either a net gain or a net loss to public funds.

19. The assumptions made in the appraisal which affect the assessment over 50 years are summarised in the Appendix to this Memorandum. On these assumptions, the overall result from the standpoint of public funds is shown (in Table 17 of the Appraisal) as falling between a net loss of £4,480 and a net gain of £9,218, a range of £13,698. This wide range occurs on the basis of the economic assumptions of lower real earnings growth and higher inflation (9% inflation, 10% rise in earnings, 10% interest); and can be analysed as shown in the following table:

	Net gain (+) or loss (—) (Present Value)		
	From (1)	To (2)	Range (3)
Selling price	+ 8,400	+ 8,400	—
Expenditure avoided on Upkeep & management	+ 4,712	+ 7,169	2,457
Renovation	+ 3,014	+ 5,104	2,090
Net rents foregone*	—15,808	— 8,347	7,461
Mortgage tax relief	— 4,798	— 3,108	1,690
	—£4,480	+ £9,218	£13,698

\*rent rebates included in rents foregone ranged from £4,784 to £2,059.

20. As the table indicates, the single assumption which has the greatest effect on the overall assessment is that made about the future level of rents. Together with the assumption about future levels of spending on renovation which also depends on policy decisions — it accounts for well over one half of the range. Therefore, if rents are going to rise over the next 50 years in line with earnings, and expenditure on renovation is going to be maintained at the lower level assumed (column 1), the sale of a typical council house now would involve a net loss to public funds. At the other extreme (column 2), if rents are going to rise much more slowly (75% as fast as prices), and expenditure on renovation is going to rise to the higher level assumed, the sale would bring a net gain. An assessment of the most likely financial consequences therefore depends heavily on a judgment on these assumptions.

21. On the basis of three other different sets of economic assumptions, the overall result shown in the Appraisal remains that of a range between a net loss and a net gain. But both the possible loss and the possible gain are somewhat smaller and the range is therefore reduced — to £12,104, £11,111 or £10,494.

*[Continued]*

22. It should be noted that – as the Appraisal points out in its paragraph 3 – it does not give ranges to show the bounds within which the answers necessarily lie. Further than that, it points out that the ranges are intended “only to give an indication of the sensitivity of the calculations to alternative assumptions”. Contrary to what some readers may have assumed, the ranges imply no judgment on the relative probability of the various assumptions made; and it cannot be inferred that the most probable result is somewhere around the middle of the ranges shown. In the discussions which my staff have had with the Department of the Environment, therefore, they have been particularly concerned to explore both the adequacy of the assumptions chosen and their relative probability.

(ii) *Adequacy of the assumptions*

23. My staff noted three areas of some importance in which it seemed possible that the assumptions made were not fully adequate:

- (a) *Rent rebates.* The Appraisal assumes that hardly any tenants exercising the right to buy will be in receipt of rent rebates, but that after retirement many of them would qualify. It therefore makes an appropriate deduction – amounting to around 20 per cent (see paragraph 19 above) – from rental income foregone as a result of a sale. In calculating the average deduction, it allows for the proportion of retired tenants who will have occupational pensions and who will therefore receive lower rebates. It makes no allowance, however, for the future effect of the new state pension scheme, which is designed to provide an additional earnings related supplement. In the case of a purchaser whose earnings have been at the national average, the entitlement to pension will be much higher than at present, and the eligibility for rent rebate correspondingly lower.
- (b) *Renovations.* The Appraisal allows for savings (at £3,500 or £5,500) on future renovations in the public sector as a result of sales. But it takes no account of the possibility that when houses sold into the private sector are improved by the owners, the work may be financed with the aid of loans attracting tax relief. Such loans would serve to increase the present value of tax relief on interest.
- (c) *Replacement houses.* If council houses are sold to tenants who would otherwise have moved to the private sector there might be a need to build replacement houses in order to maintain the supply of public sector houses to let. The Appraisal makes no allowance for this factor. It records that many council houses have been vacated by tenants moving into owner occupation – estimated at 50,000 (England) in 1977; but it points out that past evidence suggests that those who moved in this way belonged mainly to a younger age group than those who were buying their council houses. While accepting that this had been the experience in the past, my staff questioned whether it was not likely that in future a proportion of such people, including those in younger age groups, would take advantage of the new opportunities to buy the council houses which they were renting.

24. I understand that the Department accept that the Appraisal might have referred to the possible effect on rent rebates of the new state pension scheme and to the tax effects of private renovation of council houses that had been sold. But they consider that it would have been impracticable to quantify such factors, and that the overall effect would not have been substantial. On the question of replacement houses, the Department consider that since there was no evidence as to the motivation of the local authority tenants who had moved into the private sector in the past, it would be unsafe to make any prediction as to the number who, under different circumstances, might have bought their council houses. They also consider that in the long term the effect of sales on public sector housing requirements is speculative, and they point out that Great Britain already has a higher percentage of households renting from public landlords than any other Western European country.

25. I recognise that it would be difficult to quantify the points to which my staff have drawn attention; and I would not wish to exaggerate their significance. But in each case the effect of their omission is to increase the possible benefit to public funds from sales of council houses; and, in total, their effect would not be insignificant.

(iii) *Reasonableness of ranges of assumptions*

26. As already mentioned, the assumptions in the Appraisal were intended only to indicate the sensitivity of the calculations to alternative possibilities. The Department of the Environment confirm that they were not intended to be regarded as predictions or to imply any

degree of probability; nor was it implied that the midpoints of the ranges represented the most likely results. Since, however, it would be useful also to have an assessment which did aim to provide a reasonable indication of the likely range of net gains or losses, my staff have considered the relative probability of the assumptions made in the Appraisal.

27. They concluded that in general the assumptions were not unreasonable but, in comparing the extreme assumptions made for each factor, they noted three instances in which an assumption which underlay the largest gain in a range seemed relatively improbable:

- (a) *Rent foregone.* The Appraisal assumes at one extreme that rents will rise, over a 50 year period, at the same rate as in the last 5 years, 1974-79 - i.e. at only 75 per cent of the rate of increase in prices. In view, *inter alia*, of past experience (summarised in the other assumptions - see Appendix below), it seems relatively improbable that rents should increase over so long a period by significantly less than the rate of inflation. (The effect on the figures shown in paragraph 19 above of omitting this assumption would be to increase the minimum rent foregone from £8,347 to £11,621).
- (b) *Expenditure avoided on Upkeep and Management.* Although the Appraisal explains why savings in upkeep and management are unlikely to be fully *pro rata* to the number of houses sold, or to occur immediately, the assessments allow (in the "Upper variant" - see Appendix below) for such immediate *pro rata* savings at one end of the range of assumptions. (The effect on the paragraph 19 figures above of omitting the "Upper variant" assumption would be to reduce the maximum expenditure avoided from £7,169 to £6,359).
- (c) *Expenditure avoided on Renovation.* The Appraisal uses as an extreme assumption a situation where the average amount spent per house rises by nearly 60 per cent in real terms from £3,500 currently to £5,500; and the expected time before renovation for a typical house falls from 45 years to 15 years. This would represent a major change in policy on improvements with levels of expenditure far in excess of any experienced so far, e.g. the reduction in time would imply that total expenditure on renovation of public sector houses will triple immediately.

28. If the extreme assumptions in the Appraisal were modified to meet the points made in the previous paragraph, the calculations over a 50 year period would still show results ranging from a possible net loss to a possible net gain. But they would, in my view, represent a more balanced picture of the probable outcome.

(iii) *Is 50 years long enough?*

29. In presenting an assessment over a 50 year period, the Appraisal does not purport to show the net gain or loss from a typical sale over the full life of the house, since it includes no allowance for net income foregone after 50 years, or for the residual value of the site at the end of the dwelling's life. However, the present value of any later foregone income and of the site would be relatively small when discounted over so long a period; and the 56 year figures may be regarded as coming close to a whole-life assessment.

*Financial Balance between Housing Authorities and the Exchequer*

30. In view of the extensive provision of subsidies to public sector housing, I have a particular interest in the financial balance between housing authorities and the Exchequer. As noted in paragraph 3 above, the existing Exchequer subsidy rules provide only for subsidy payments to cease in respect of a council house which is sold; they do not secure for the Exchequer any recovery of subsidies already paid to housing authorities on the house or a share in any amount by which the selling price may exceed the original cost. Depending on how long the house has attracted subsidy before being sold, therefore, the housing authority may obtain a substantial windfall from the sale whilst the Exchequer may have to concede more in tax relief on the resulting mortgage than it saves by ceasing to pay subsidy.

31. The current Housing Bill will give the Secretary of State power to determine regulations for the calculation of housing subsidies, including the treatment of the proceeds from council house sales. A consultation paper issued in October 1979 proposed that when a house was sold above cost, subsidy should be reduced by reference to the original cost of the house plus half the difference between the cost and the sale price. In estimating the subsidies withdrawn the Appraisal has assumed that this proposal will be implemented; but it stresses that the estimate is tentative as several important aspects of the subsidy arrangements are still under consideration.

*[Continued]**Conclusions*

32. My general conclusions after examining the joint Departmental Appraisal are:

- (a) It provides a valuable and basically sound analysis of the assumptions which have to be made in order to calculate the financial consequences of a typical council house sale.
- (b) It illustrates the wide range of calculations that can be made from varying assumptions based on different views of future trends in economic conditions, government policies and social behaviour; and shows under what circumstances the sale could turn out to be more or less favourable from the standpoint of public funds. In particular, the faster that council rents are expected to rise in the future, the less advantageous it is to sell: the slower that rents rise, the more advantageous.
- (c) It indicates the possible scale of the net inflow to public funds over the first few years after a sale; and that, in the long-term, it could result in either a net gain or a net loss to public funds.
- (d) It does not purport to show whether the long-term result is more likely to be a gain or a loss to public funds: that is left to the judgment of the reader on the relative probability of the assumptions chosen.
- (e) It represents ranges of figures which result from calculations based on the extreme assumptions made. In my view, some of the assumptions most favourable to public funds are clearly less probable than those least favourable (paragraphs 26 to 28 above); and the assumptions do not take account of all the considerations which could have an adverse effect on the overall balance (paragraphs 23 to 25). If the ranges shown for the 50 year assessment were adjusted to take account of these points, the possible net gain to public funds would be somewhat reduced and the possible net loss somewhat increased. But they would still show that the outcome might be either a net gain or a net loss.
- (f) The statutory arrangements currently under consideration for adjusting Exchequer subsidies in respect of sales of council houses should have regard to the whole of the financial balance between local authorities and the Exchequer, including the Exchequer's liability to meet the additional tax relief on mortgage interest consequent on sales.



## APPENDIX

## Fifty Year Appraisal: Main Assumptions Made

1. *Selling Price*

	£
Current market value in 1980-81	14,000
less 40% discount	<u>—5,600</u>
Selling price	£8,400

2. *Expenditure avoided on Upkeep and Management*

The main question considered is whether, when a council sells a house, its expenditure on repairs and on general management is reduced by as much as the average amount which it spends per house. The Appraisal shows calculations based on three variant assumptions:

- "Low variant" is that in the first year savings on repairs are 33% of the average rising to 75% after 5 years; and on general management, 10% building up to 50% after 5 years.
- "Second variant" is that, on repairs, 40% at the outset will rise to 100% after 5 years; and on general management, 20% building up to 75% after 5 years.
- "Upper variant" is 100% of the average throughout.

3. *Expenditure avoided on Renovation*

The assumptions made are that a house sold now would have been improved at some time in the future at a cost (at 1980 prices) of £3,500 (lower assumption) or £5,500 (upper assumption). It is further assumed that the renovation would occur after 15 or 30 years compared with 45 years at the present rate of renovation. (This further assumption affects the "present value" of the expense.)

4. *Rent foregone*

A range of six assumptions is made about the rate at which the rent would have risen. In descending order, these are:

- (i) In line with pre-tax earnings.
- (ii) In real terms at 80% of the growth of real earnings (as in the 20 year period 1959-79).
- (iii) In real terms at 40% of the growth of real earnings (as in the 50 year period 1929-79).
- (iv) In line with prices.
- (v) At a rate equal to 95% of the rise in the general price level (as in the 10 year period 1969-79).
- (vi) At a rate equal to 75% of the rise in the general price level (as in the 5 year period 1974-79).

The Appraisal assumes that for the first 15 years no rebates would have been due on rents. But rents foregone for the following 20 years are abated by 50 per cent on the assumption that after his retirement the tenant, and then his widow, would have been eligible for rent rebates. For the last 15 years of the 50 year appraisal rent rebate for a new tenant is taken to be 10 per cent of the rent.

5. *Tax relief on mortgage interest*

Two illustrative assumptions are taken:

- (B) The house is owned on mortgage for 10 years; sold at the end of year 10, owned on mortgage for 12 years, and outright for 8; at the end of year 30 it is sold again, and owned mortgaged for 12 years and outright for 8.
- (A) The house is owned on mortgage for 25 years, then owned outright for 15. It is sold at the end of year 40, on a 65% mortgage and owned on mortgage for the remaining 10 years.

Among other assumptions used, the basic rate of income tax is taken as 30%.

## 2-5 above

It is the combination of the first mentioned of the set of assumptions in each of these paragraphs which produces the calculation of the greatest potential loss on a sale. The combination of the last of each of the sets of assumptions produces the greatest potential gain.

*(Continued)*6. *Economic assumptions*

Assumptions are made about the rise in the general price level, the real rate of increase in earnings and the real rate of interest as follows:

General price level	(Lower 4% inflation) or	(Higher 9% inflation)
Real rate of increase in earnings (1% or 2%)		
∴ Rise in earnings	5% or 6%	10% or 11%
Real interest rate (1% or 3%)		
∴ Interest rate	5% or 7%	10% or 12%

The assumptions about the general price level and the rise in earnings are used in the calculations of Rent foregone and of future expenditure on upkeep, management and renovation. The assumptions about the interest rate are used in calculating the Tax relief on mortgage interest; and also in discounting future receipts and payments to their present value.

The "Lower inflation" group of assumptions produces a somewhat less wide range in the overall results of the calculations than the "Higher inflation" group (and significantly lower figures of potential loss). Within each group, the variant assumptions for earnings and interest do not greatly affect the overall results.

## APPENDIX 2

## House of Commons Environment Committee

## COUNCIL HOUSE SALES

*The Redistribution of Wealth**Note by Mr David Webster - 17 August, 1980*

1. A redistribution\* of wealth in favour of tenants has long been claimed as an advantage of council house sales, and not only by the present government (cf. Frank Field, "Do We Need Council Houses?", 1975). In their reply to Written Question 7, DoE say "By enabling council tenants like others to benefit from the capital appreciation made of housing sales should distribute wealth more widely". DoE do not mention the large discounts to which tenants are entitled under the Housing Act, 1980, although they might have done.

Mr George Tremlett, for the GLC (HC 535-x, Q.904) told the Committee: "There is also the other fundamental belief that I hold, and that is that there should be a redistribution of wealth from the State to the people, and that by the discouragement of public sector housing one can have that redistribution of wealth".

*The significance of Home Ownership in the Distribution of Wealth*

2. As Professor Harbury of City University points out, dwellings are now the major asset held by individuals, accounting for approximately 40 per cent of the wealth of the adult population as a whole (it was 20 per cent in 1960), and rising to 60 per cent for middle wealth holders (£10,000 to £14,999 size class). He goes on to say that in recent years changes in the ownership of dwellings have had a significant equalizing effect on the distribution of personal wealth, raising in particular the share of middle wealth holders vis-à-vis those in the top percentiles. There can thus be no doubt at all of the significance of home ownership for the distribution of wealth.

*Do Council House Sales Effect a Redistribution of Wealth?*

3. There is general agreement in the evidence to the Committee that sales do effect a redistribution of wealth. The Catholic Housing Aid Society (CHAS) say (HC 535-vii, p. 206, para. 3.7) "some redistribution of wealth will take place". The Battersea Riverside Action Group write of "this redistribution". Thirty-seven local authorities (Qu.A(x)), the Association of District Councils (ADC), the University of Birmingham Centre for Urban and Regional Studies (CURS), CHAS, and the Institute of Cost and Management Accountants, all point out that "the acquisition of an appreciating asset" is one of the advantages to purchasers, and five more local authorities speak simply of "the acquisition of an asset". Two local authorities (Blackpool and Middlesbrough), as well as CURS point out that the tenant's heirs share in the gain. Bernard Kilroy (HC535-v, p. 137, para. 40) discusses the inheritance of the gain represented by the discount. Basildon Development Corporation note that tenants acquire the freedom to realise part of the value of their asset by "trading down". Many submissions observe, of course, that the gain is acquired at the expense of higher initial costs in mortgage payments, maintenance, transaction costs, insurance, and (in the case of flats) service charges, and Bolton notes that some or all of these costs are liable to fluctuate. However, as fourteen authorities and the ADC point out, the mortgage payments decline in real terms. Two authorities (Oxford and Medina) say that the extent of the capital gain depends on the tenant purchaser's efforts in maintaining and improving the property, and three (Huntingdon, Hounslow and Norwich) that there is a risk of foreclosure. Oddly, Oxford and Wakefield say that in the event of a fall in income, purchasers will no longer be eligible for rent rebates. They would, of course, be eligible for supplementary benefit. In 1975, 392,000 owner occupier households received supplementary benefit (*Housing Policy*, Cmnd 6851, *Technical Volume*, Table VI. 27, HMSO 1977).

4. Some examples are given of the capital gains enjoyed by tenant purchasers. Allerdale (revised written evidence dated 15th May) say that house prices in their National Park area increased by four times - 32 per cent per year - between 1974 and 1979. The Cumbria Branch of the ADC quote other examples of large increases in recent years. Manchester give an analysis of

\* The term "redistribution" is used here in a neutral sense, not necessarily implying "equalisation". The question whether the redistribution of wealth effected by sales creates greater equality is discussed in the final section.

*[Continued]*

127 council properties sold to tenants and subsequently repurchased by the council. Of these only 8 transactions were at a loss in terms of constant prices, and 119 yielded a real capital gain to the purchaser. One hundred made a capital gain for the tenant of more than £2,000 at 1979 prices, and 31 a capital gain of more than £5,000. Kensington and Chelsea also quote cases of large capital gains. An article in *Voice of Anglia*, journal of the Anglia Building Society, 2nd July 1980 reports a survey by the Society of council houses purchased in 1972-73. The average purchase price was £3,826 and the average open market price in 1980 of the same properties was £15,302. No information is given on the average size of discount, but if this is assumed to have been 15 per cent, then in real terms, using the retail price index (RPI) as a deflator, the average overall capital appreciation over the period was 17 per cent, or 24 per cent per year.

5. There is only a very occasional mention of difficulties in reselling, for instance by Nottingham, Shelter, the Institute of Cost and Management Accountants, or, referring to a particular group of "prefabs", by Oxford.

6. Replies to the Committee's questionnaire show that most authorities hitherto have been operating restrictions on the type of property which may be sold. When these are removed by the Housing Act 1980, it is probable that a higher proportion of purchasers will encounter difficulties in reselling, or smaller capital appreciation (although the higher discounts make actual capital losses less likely). Certainly, the right to buy will be of very unequal value to tenants of different properties. Nevertheless, the burden of the evidence is that the redistribution of wealth effected by sale is in almost all cases real. This view is queried, however, by Professor Harbury. He argues that "the enjoyment of benefits not allocated by the market, such as access to subsidized housing, should properly be included in the wealth of an individual even though such benefits are not legally realisable and transformable into other forms of wealth. . . . If houses were sold at their free market values to existing tenants the redistribution of wealth that would be recorded in the statistics would ignore the ownership of the previous assets (access to subsidized housing) and to that extent it would be an *overstatement* of the redistribution effected. This redistribution could, in principle, be very small indeed". It will be noted that Professor Harbury is accepting implicitly that the 30 per cent to 50 per cent discount on market value, and any subsequent capital appreciation, do constitute a redistribution of wealth. How much substance is there in his main point, that the capitalized value of future subsidies to be received by a sitting tenant must be reckoned as part of his wealth? There are three main difficulties. One is simply that the value of these future subsidies is uncertain. There is no guarantee that at some time in the future all subsidy may not be withdrawn, and market rents charged, although this may be considered unlikely. The second difficulty is that this notional "wealth" cannot be realized in the tenant's lifetime by "trading down", raising a second mortgage (perhaps with the benefit of tax relief or option mortgage subsidy on the interest), or moving to a tenancy. Third, this "wealth" cannot be inherited, except by his spouse or a member of his family who has been living with him for at least a year at the time of his death (Housing Act, 1980, S.30). His heir, in turn, cannot realize its value. It is odd that Professor Harbury does not discuss the role of inheritance since he is the joint author of a major study of the inheritance of wealth (C. D. Harbury and D. W. M. N. Hitchins, "Inheritance and Wealth Inequality in Britain", Allen and Unwin, 1979). Therefore, Professor Harbury's point, while not devoid of substance, cannot be taken to show that no redistribution of wealth in the accepted meaning of the term is involved in council house sales.

#### *Criticisms of the Redistribution of Wealth Effected by Council House Sales*

7. Two major criticisms of the redistribution of wealth effected by council house sales emerge from the evidence given to the Committee. It is argued that the redistribution is to those who are already better off, and that it takes place at the expense of poorer council tenants. These points are examined in turn.

#### *Do Sales Redistribute Wealth to those who are Already Better Off?*

8. Professor Harbury argues that "there is very clear evidence to show that the average income of households of local authority dwellings is approximately the same as that of outright owners of private houses. Although local authority tenants have a mean income below that of owner occupiers on mortgages, the lowest average income is that of private tenants of unfurnished dwellings. . . . This seems to me to undermine the case in equity for the sale of local authority houses to existing occupiers, especially at subsidised prices below that of the free market. The greater need . . . would seem to be for more, and therefore cheaper, rented accom-

modation". Professor Harbury's point about private renters is valid, although he seems mistaken in his comparison of council tenants with outright owners. This latter group are mostly retired, and therefore at a low point in their income lifecycle. Certainly the comparison in the *Housing Policy Technical Volume* (ibid), Table II.30, suggests that council tenants are less well off than owner occupiers.

9. However, this leaves open the question as to whether council tenants who buy are better off than council tenants who do not buy. The National Tenants Organisation assume that they are: "In the present difficult economic climate, when local authorities are being pressured into reducing their expenditure levels, it is hard to see any justification in giving away millions of pounds of tax payers' and ratepayers' money simply so that some who are presumably already better off can change their pattern of tenure". CHAS (HC 535-vii, p. 206, para. 3.7) say "The purchasers of council housing are not those trapped in the cycle of poverty". The Centre for Urban and Regional Studies, University of Birmingham say "The typical purchaser is . . . earning above average wages; in a skilled manual occupation" (para. 7); and "We think sales will benefit the better off tenants".

10. In a study of council house sales in Birmingham by Alan Murie, referred to by CURS and submitted to the Committee, it was found that "Even in comparison with relatively well off tenants . . . purchaser households form a relatively high income group". Pat Niner, in her study of sales by five Midlands authorities (*Local Authority Housing Policy and Practice*, CURS 1975), found that sitting tenant purchasers' "average incomes . . . are higher than those of private house buyers using a council advance. . . . Average purchasers' earnings are very near to the national average earnings level for a full time employed male worker". CURS also said "Most purchases will be from the 17 per cent of tenants who had household incomes over £6,000 in 1978".

11. The Committee's own survey of local authorities (Qu. B(vi)) has also produced information on purchasers' incomes. Some authorities comment in general terms, most saying that purchasers are better off than other tenants: "(purchasers were) in regular employment with above average income" (Scunthorpe); "Representative cross-section of the community - only common factor is that they have capital and/or sufficient income to support a mortgage" (Oxford) (emphasis added); "Not generally representative of tenants as a whole, many of whom are younger couples with large families on low incomes or elderly people living on their own" (Wirral); "better than average income" (Sheffield); "purchasers must have reasonable employment status" (Bolton); "better off" (Wakefield); "may be assumed (to be) better off than their neighbours" (Manchester); "incomes tend to be substantially higher than average" (Kensington); "middle or higher income bracket" (North Norfolk); "in the main middle income - compare favourable with tenants in general" (Amber Valley); "in secure employment and include small businessmen" (Teesdale); "incomes marginally below those required by Building Societies for private sector dwellings" (Thamesdown). On the other hand a few authorities made comments which might be interpreted as implying that purchasers were representative of tenants as a whole: "Varied" (Stoke-on-Trent); "wide cross-section of tenants" (Newbury); "typical of the broad spread of council tenants in the town" (Crawley); "there are indications that families on comparatively low incomes do buy houses" (Birmingham).

12. Some authorities quoted actual figures for the incomes of tenant purchasers, which suggest that they are better off than other tenants: "£6,000 + per annum; wife has part-time job" (Woodspring); "average £5,000-£6,000" (Merton); "average income £10,000; range from £3,000 to £19,500" (Kensington and Chelsea); "19 out of 23 dwellings sold to couples all in supervisory posts in the region of £6,000" (Guildford); "£90 per week. In general these do not reflect the usual council tenant in this district who are usually well below this wage level" (North Shropshire); "average income of applicant £5,067 and of working wife £2,423 (66% of wives of couples work)" (Skelmersdale Development Corporation).

13. Table I reproduces the income data from authorities which gave these in tabular form. Once again, these suggest relatively high incomes.

14. However, an important qualification is that implied by comments made by three authorities: "(Evidence) suggests that a high proportion probably enjoyed a second

*[Continued]*

income" (Ipswich); "in broad terms longer established tenants . . . whose decrease in family responsibilities has led to increasing affluence" (South Herefordshire); "maximum earning capacity . . . greater financial resources than the majority of tenants" (Bracknell). In other words, higher incomes of tenant purchasers may at least partly have been due to their stage in the life-cycle. Fully satisfactory evidence ought clearly to allow for this factor.

15. Evidence on socio-economic group membership, because it is largely free of life-cycle distortions, is also valuable in establishing whether tenant purchasers are "better off" than other tenants. Two authorities did not give data in tabular form: "60 per cent manual, 30 per cent OAP/white collar" (Merton); "40 per cent self-employed; most of the rest white collar or professional; 3 cases retired" (Kensington and Chelsea). Data for the remainder are shown in Table 2, together with figures for all council tenants in England and Wales, 1971, and figures from the Murle and Niner surveys. In some cases the classifications used by local authorities are vague and unsatisfactory, but there is clearly a higher proportion of professional and managerial workers among purchasers than among tenants as a whole. On the proportion of unskilled manual workers, the worst paid group, the evidence is contradictory.

16. What overall conclusion emerges from taking all the evidence together? The quality of the evidence received is poor, and there is clearly a need for further research and monitoring. It does seem, however, that although substantial numbers of more poorly paid workers have succeeded in buying their council houses, purchasers as a whole have tended to be better off than tenants as a whole. Taking this conclusion together with Professor Harbury's point that those renting privately are worse off than council tenants, the criticism that redistribution is to those who are already better off does seem to be borne out by the evidence. Given the evidence submitted elsewhere to the Committee that prices after discount will remain beyond the reach of many tenants in many areas, this conclusion, derived mainly from evidence based on the former lower discounts, is unlikely to be changed as a result of the new, higher discounts, although the two-year option provision (Housing Act 1980, S.16) will extend the ability to purchase further down the income scale.

17. The question remains whether the poorest households have no chance of benefiting from the redistribution effected by sales. CURS say, "Some tenants have already benefited from sales. Many more will do so in future. But far more will never benefit at all, if our assumption is correct that more than half of all tenants (and possibly more than three quarters) lack sufficient resources to buy and maintain their homes, even with the most generous discounts and other terms that are now (or will be) available. This group (who, in terms of access to wealth, could be called the "never will haves") could constitute as much as 20 per cent, possibly more, of the British population".

18. Given the evidence considered in the previous section, it would seem difficult to argue that no members of the poorest economically active groups – the unskilled workers – benefit from the redistribution of wealth effected by sales, at any stage in the life cycle, and there is no clear evidence that their chances are less in general than those of the better-off groups. However, many will be excluded because they live in areas where house prices are particularly high or because they live in property which is not worth buying. The Committee for Racial Equality, for example, quote evidence to show that ethnic minority households tend to be allocated poorer quality council housing. In other words, the redistribution of wealth is certainly arbitrary *within* income groups. Even those who have some chance of buying at some time will be excluded for large parts of their life-cycle, and given the clear evidence that the better properties will be sold off in disproportionate numbers, the right to buy may be of little value by the time they reach the stage in their life-cycle when they are able to buy. And particular groups – for instance the long-term ill or disabled, the long-term unemployed, or households with unskilled, single heads – may be excluded completely.

#### *Do Sales Redistribute Wealth to Some Tenants at the Expense of Those Who Are Poorer?*

19. Battersea Riverside Action Group say "It has been argued that Council house sales are redistributive in that they open up the home ownership market to many who could be just below the level of income needed to buy privately. Unfortunately, this redistribution is at the expense of the poorest section of the community. Indeed, it aggravates the already most acute housing problems unless it is accompanied by an extensive building and acquisition programme". CHAS (HC 535-vii, p. 206, para. 3.7) argue "Thus the redistribution of wealth which benefits

some working class groups is being achieved at the expense of those less well housed, whose housing opportunities are reduced in direct relation to the increase of opportunity enjoyed by the purchasers". Shelter argue a similar case, and Norwich say "It is not really disputed that individual tenants may well gain financially from the sale of council houses. The remaining council tenants and the local community, and possibly the national community, will be the losers".

20. The position of tenants who do not buy may be worsened as a result of sales because sales result in losses to the Housing Revenue Account; because the standard of management and maintenance services is reduced; and because opportunities to transfer to a better or more convenient property are reduced. The position of potential council tenants may be worsened because their chance of obtaining a letting is reduced, or because if a letting is obtained, its quality, convenience or suitability may be less. These issues are all being considered elsewhere and therefore no attempt is made to reach a conclusion here. However, as shown in para. 23 below, some of the tenant purchasers' gain is at the expense of savers, some of whom will be remaining or prospective tenants.

*Will the Redistribution of Wealth Effected by Sales Bring About Greater Equality?*

21. The question whether the redistribution of wealth effected by sales constitutes an equalization of wealth holding has been raised in the Committee's discussions. The issue is necessarily rather complex.

22. There can be no unique criterion to define a redistribution which constitutes an equalization. One commonly occurring criterion is that the proportion of all wealth included in the definition held by an arbitrarily chosen wealthy group, such as the most wealthy 5 per cent or the most wealthy 10 per cent, should fall. If this type of criterion is used, then council houses sales almost certainly constitute an equalizing redistribution of wealth. On the other hand, it is also possible to think in terms of the deviation from perfect equality of wealth across the whole of the distribution (this is what is measured by the "Gini coefficient"). In that case the redistribution effected by sales may or may not produce greater equality, since the improved position of tenant purchasers in relation to the very wealthy may be offset by the worsened position of even less wealthy groups relative to the tenant purchasers.

23. In the preceding paragraph, the redistribution was described as "almost certainly" equalizing under the first criterion, rather than "certainly", because the sources of the wealth gained by tenants purchasers must be examined - to the extent that the gain is at the expense of other wealth holders, then the distribution may be altered in complex ways. Much of the wealth gained (at least half of the market value at time of purchase depending on discount, unless the two-year option is used) is no more than an exchange of assets between the public sector and the personal sector (i.e. a real asset - the house - is exchanged for a financial liability - the mortgage). The discount is a real transfer of wealth, but since it is from the public to the personal sector it does not involve any loss of personal wealth by any other wealth holder. Subsequent erosion in real terms of the value of the mortgage is a gain in wealth at the expense of lenders to the institution providing the mortgage, whether this is a local authority, building society, or other financial institution. Some of these lenders will be more wealthy and some less wealthy than the purchaser. This does not undermine the conclusion under the first criterion that the redistribution is equalizing, but it is a further reason for concluding that under the second criterion it is uncertain whether the redistribution is equalizing or not. Finally, when the value of appreciation in the market value of the house is realized, this takes place at the expense of the new purchaser. He is unlikely to be significantly more or less wealthy over the life-cycle than the original purchaser, and this stage is therefore unlikely to involve any further disturbance in the distribution of personal wealth.

24. The conclusion therefore remains that the redistribution of wealth effected by sales is almost certainly equalizing according to the first criterion, but may or may not be so according to the second.

25. Professor Harbury's point remains relevant in that to consider the distribution of wealth in isolation from the distribution of income and of benefits in kind may be misleading. As has been noted, the redistribution of wealth to tenant purchasers may be at the expense of both financial costs and the loss of benefits in kind to remaining tenants. The discount on sale is certainly a loss to taxpayers and ratepayers collectively.

*(Continued)**Table 1: Incomes of Sitting Tenant Purchasers*

<i>Westminster</i> (10% sample—various dates)		<i>Huntingdon</i> (sample of 100 recent mortgages)	
	%		%
below £4000	10.5	below £80 p.w.	12
£4001–£5000	21.0	£80–£100 p.w.	34
£5001–£6000	n.a.	over £100 p.w.	54
£6001–£7000	24.0		100
£7001–£10,000	n.a.		
over £10,000	10.5	NB: income is that taken for mortgage assessment purposes.	
	100.0		

<i>Welwyn Hatfield</i> (all purchasers since Oct. '76)			<i>Wandsworth (HC 535-ii)</i> (sitting tenant purchasers July '78–January '80: joint income)		
	%			%	
	Welwyn	Hatfield			
£3000–£4000	8.1	9.8	under £4000	6.9	
£4000–£5000	33.1	31.7	£4000–£6000	28.3	
£5000–£6000	33.1	36.6	£6000–£8000	44.0	
£6000–£7000	18.5	13.4	£8000–£10,000	17.0	
£7000–£8000	4.0	6.1	£10,000+	3.8	
£8000+	3.2	2.4		100.0	
	100.0	100.0			

n.a. = not available

n.a. = not available

*Table 2: Socio-Economic Group Membership of Sitting Tenant Purchasers*

<i>Westminster</i> (to 1980) sample size not available			<i>Bristol</i> (purchasers in 1973) sample size: 157		
	%			%	
				Bristol	All L.A. tenants (E & W)
non-manual	48.5	"well over half"	professional		
employers/managers	n.a.		employers	10	5
skilled manual	13.0		managers		
unskilled manual	5.0		intermediate, junior non-manual	12	12
other	n.a.		skilled	61	40
	100.0		semi-skilled/ service	8	28
			unskilled	10	12
				100	100
<i>East Hampshire</i> (to 1980) sample size: 39			<i>Huntingdon</i> (purchasers 1979/80) sample size: 100		
	%			%	
	Purchasers	All East Hants council tenants (*71 census)	professional & managerial	12	
white collar	36	74	skilled	47	
skilled	38		(unskilled?) manual workers	41	
(unskilled?)				100	
manual	26	n.a.			
	100	100			



[Continued]

Table 2 (continued)

*Welwyn Hatfield (1974-80)*

sample size: 524

	%	
	Welwyn	Hatfield
professional	31.8	27.2
skilled	41.9	43.2
semi-skilled	9.3	13.6
(unskilled?)		
manual	17.0	16.0
	100.0	100.0

*Milton Keynes Development Corporation*  
(purchasers before June 1979)

sample size: 92

	%	
	Purchasers	All M.K. tenants*
prof./managerial	28	14
other non-manual	41	20
skilled manual	41	41
low skilled manual	10	25
	100	100

\*household survey 1976

*Skelmersdale Development Corporation (purchasers to 1980)*

Sample size: 80

	%	
	Purchasers	Town (all tenures)
employers, managers, professional	2.8	12.2
intermediate & junior non-manual	18.0	14.7
skilled manual, own account non-professional	40.3	41.5
semi-skilled manual, personal service	18.0	26.1
unskilled manual	20.8	5.1
other	—	0.4
	100.0	100.0

*Wandsworth (HC 535 -II (purchasers 1978-80))*

sample size: 461

	%		
	all purchasers*	Wandsworth council tenants	Wandsworth residents
professional	3.2	1.2	5.9
employers, managers	8.0	5.5	13.6
other self-employed	2.8	4.6	4.8
foreman, skilled manual	23.0	35.9	26.7
non-manual	16.0	21.8	28.2
semi-skilled manual	2.8	18.5	13.1
unskilled	0.5	10.6	6.0
other, unclassified	43.7	1.1	1.4
	100.0	100.0	100.0

\*including other than sitting tenant purchasers

*All Council Tenants: England and Wales 1971 (Housing Policy Technical Volume, Cmnd 6851, Table II.26)*

	%
professional, employers, managers	4.7
intermediate and junior non-manual	12.3
skilled manual, own account non-professional	40.1
semi-skilled manual, personal service	28.3
unskilled manual	12.1
other	2.6
	100.0

*(Continued)*

Table 2 (continued)

*Murie (The Sale of Council Houses, CURS, 1975, Table 6.2) (purchasers in 1968-1973)*  
 Sample size: 193

	Purchasers	% All Birmingham council tenants
professional, etc.	—	4
intermediate	10	
skilled non-manual	9	6
skilled manual	45	47
partly skilled	31	25
unskilled	3	8
retired	2	6
refused	1	—
housewife/unemployed/unclassified	—	2
	100	100

*Niner (Local Authority Housing Policy and Practice, CURS, 1975, Table 3.45)*  
 (purchasers in 1971-1973)  
 Sample size: 322

	Warley	Wolverhampton	% Halesowen	Stafford
skilled manual	68	57	59	47
semi- or unskilled	18	13	23	22
other	14	30	18	31
	100	100	100	100

[Continued]

Table 1: Evidence on the Age Distribution of Sitting Tenant Purchasers

Murie (1975)  
sample size: 193

Age	%	Age (adjusted class intervals)	%
under 30	1	under 30	1
30-39	19	30-44	34
40-49	30	45-59	52
50-59	37	60-69	9
60-69	9	over 70	4
over 70	4		
total	100	total	100

Niner (1975)  
sample size: 422

Age	%
under 30	9.6
31-45	48.6
46-60	35.9
over 60	5.7
total	100.0

Note: Murie's sample was of sitting tenant purchasers in Birmingham. Niner's study was of sitting tenant purchasers in five Midland local authority areas: West Bromwich, Warley, Wolverhampton, Halesowen and Stafford. Her five samples have been pooled.

Bristol (1973) (CH87)  
sample size: 157

age	%
under 30	16
30-39	21
40-49	36
over 50	27
total	100

Slough (1979-80) (CH131)  
sample size: 28

age	%
under 30	50
31-45	32
46-55	18
over 50	—
total	100

E. Hants (1977-80) (CH58)  
sample size: 39

age	%
under 30	5
30-39	23
40-49	33
50-65	39
over 65	—
total	100

Guildford (1976-80) (CH68)  
sample size: 21

age	%
under 30	5
30-39	—
40-59	90
over 60	5
total	100

Huntingdon (1979-80) (CH29)  
sample size: 100

age	%
under 25	11
25-40	57
40-60	32
over 60	—
total	100

Welwyn Hatfield (1974-80) (CH33)  
sample size: 524

	Welwyn age	Hatfield %
20-30	6.1	4.8
30-40	52.7	51.8
40-50	29.0	21.7
50-60	9.9	18.1
60+	2.3	3.6
total	100.0	100.0

Milton Keynes (before June 1979) (CH74)  
sample size: 65

age	%	age (adjusted class intervals)	%
under 30	48	under 30	48
30-39	35	30-44	39
40-64	17	45-59	10
over 65	—	over 60	3
total	100	total	100

Wandsworth (1978-80) (CH91)  
sample size: 166

age	%
under 30	1.2
30-39	27.7
40-49	37.3
50-59	22.3
60+	11.4
total	100.0

6. The Committee's local authority questionnaire has also produced evidence on the ages of sitting tenant purchasers. The data from the eight authorities reporting full age distributions are also shown in Table 1. In every case except Wandsworth a higher proportion of purchasers under 30 is shown than in Murie's survey (and Wandsworth show a higher proportion aged 30-39 than Murie). In four cases the proportion shown is larger than in Niner's survey. Less detailed comments from 27 other authorities<sup>1</sup> are consistent with this picture. The conclusion is inescapable that DOE has seriously underestimated the proportion of young purchasers, by relying (arbitrarily and unnecessarily) on the results of a single survey.

7. In what follows, three illustrative age distributions are taken, to illustrate the effect of variations: Murie's, Niner's and Milton Keynes' (the latter being an extreme case).

#### 8. *Relets Due to Moves to Private Sector*

The DOE's Table 2 shows that 50,000 departures in 1977 were due to moves to owner occupation and 20,000 to moves to renting from private landlords, employers and housing associations, and gives an age distribution. Shelter cite the General Household Survey 1977 to show that the age distribution of all council tenant household heads was as follows:

	<i>per cent</i>
under 30	9
30-44	21
45-59	29
60-69	20
70 +	20

The two sets of figures can be combined to show what proportion of tenants in each age group moved out in that year, as follows:

	Percentage of all council tenants in age group moving:		
	to owner occ.	to private renting etc	total
under 30	3.3	1.6	4.9
30-44	2.4	0.3	2.7
45-59	0.7	0.4	1.1
60-69	0.2	0.3	0.5
70 +	0.05	0.2	0.2

For example, the 14,000 households moving to owner-occupation were 3.3 per cent of the 425,700 households with heads aged under 30, who in turn were 9 per cent of the 4,730,000 total council tenant households.

9. These results are combined with the age distributions of council house buyers derived from the three surveys to estimate the loss of relets due to these two kinds of movement. (Murie's and Milton Keynes' class intervals for age have been adjusted by interpolation, as in Shelter's evidence.)

Proportion of buyers who would have moved to:

age	<i>owner-occ.</i>			<i>private renting etc.</i>			<i>total</i>		
	Murie	Niner	Milton Keynes	Murie	Niner	Milton Keynes	Murie	Niner	Milton Keynes
under 30	0.033	0.317	1.584	0.016	0.154	0.768	0.049	0.471	2.352
30-44	0.816	1.166	0.936	0.102	0.146	0.117	0.918	1.312	1.053
45-59	0.364	0.251	0.070	0.208	0.144	0.040	0.572	0.395	0.110
60-69	0.018			0.027			0.045		
over 70		0.006	0.003		0.014	0.008		0.020	0.011
	0.002			0.008			0.010		
total	1.233	1.740	2.593	0.361	0.458	0.933	1.594	2.198	3.526

<sup>1</sup> CH26, 24, 30, 37, 41, 43, 58, 62, 65, 66, 72, 73, 76, 77, 78, 84, 87, 89, 92, 97, 99, 111, 122, 128, 135, 136, 140.

*[Continued]*

*Note:* In the case of the Niner and Milton Keynes examples, the percentages of tenants in the age groups  $\geq 60$  creating a relet by movement to owner occupation or private renting are taken to be the averages of the percentages for the groups 60-69 and  $\geq 70$ .

Thus the immediate annual loss of relets due to moves to the private sector is estimated at between 1.6 per cent and 4.6 per cent of the stock sold, depending on whether Murie's, Niner's or Milton Keynes' data on the age distribution of purchasers are used.

10. It will be evident that, contrary to the DOE's assertion in para 14 of the Annex, the fact that 7 per cent of Murie's sample had considered buying outside the council sector is entirely consistent with the present estimate that 1.2 per cent of the sample would have done so within a year. Moreover, a glance at the age distributions for movers to owner-occupation (Annex Table 2) and for sitting tenant purchasers shows that even on Murie's figures, purchasers would have a higher rate of movement to owner-occupation than tenants as a whole.

#### *Relets Due to Emigration, Remarriage, etc.*

11. The DOE, in their Annex Table 1, put these at 10,000 in 1977. They comment (Annex para 11) that 85 per cent of emigrants are under 45. Presumably the same figure is not intended to apply to those remarrying, but the 10,000 total is not further broken down and no comment is made on the age distribution of remarriages. Let us assume that of the 10,000 total, 5000 departures are due to emigration and 5000 to remarriage and other causes. Any resulting error will not be large.

12. The steps for calculating the loss of relets due to emigration are similar to those followed for moves to the private sector. The DOE statement that 85 per cent of emigrants are aged under 45 implies the following figures:

#### Percentage of all council tenants in age group emigrating

age	
under 45	0.30
over 45	0.02

These figures are combined with the age distributions of council house buyers from the three surveys as follows:

#### Percentage of buyers who would have emigrated:

age	Murie	Niner	Milton Keynes
under 45	0.105	0.175	0.261
over 45	0.013	0.008	0.003
total	0.118	0.183	0.264

The immediate total annual loss of relets due to emigration is therefore shown as lying between 0.1 per cent and 0.3 per cent, depending on the age distribution used.

13. For remarriage and other reasons, let us assume that the age distribution is the same as for tenants as a whole (*prima facie* there seems no reason to make any other assumption). Then the immediate annual loss of relets due to sales is the same as for the stock as a whole:

$$\frac{5,000}{4,730,000} \text{ or } 0.106 \text{ per cent}$$

14. So far we have a total immediate annual loss of relets due to sales of from 1.8 per cent to 3.9 per cent, depending on the age distribution assumed.

#### *Relets Due to Death*

15. The DOE's Table 1 gives 75,000 departures in 1977 due to death. Shelter point out that 29 per cent of households have female heads and an additional 9 per cent are either single, widowed or divorced. To calculate the annual loss of relets for these it would seem appropriate to apply age-specific death rates, which are obtained from the life table for England and Wales (*Annual Abstract of Statistics*, Table 2.33). (Averages for class intervals are used.)

16. For the remaining 62 per cent of council tenant households the appropriate death rate is the combined probability of the death of both spouses, since both must die in order for a relet to occur. (The assumption is made that they are the same age.)

17. As before, the first step is to calculate what proportion of each age group of council tenant households as a whole would have created a relet by death.

Percentage of all council tenants in age group creating a relet by death:

age	single men	single women	couples	total
under 30				
30-44	0.008	0.013	0.000	0.021
45-59	0.016	0.037	0.000	0.053
60-69	0.089	0.163	0.003	0.255
over 70	0.311	0.476	0.035	0.822
	1.082	2.324	0.597	4.003

This estimation procedure gives a total average relet rate due to death of 1.05 per cent for the whole stock, or 49,665 relets in 1977. This estimate is clearly too low, as the DOE's figures show 75,000 relets due to death in 1977, and probably reflects the fact that expectations of life are lower for manual workers and their families than for the rest of the population. It therefore seems reasonable to gross up the estimates of relets created by death by multiplying in each case by 75,000 or 1.51. This gives the following figures:

49,665

Percentage of all council tenants in age group creating a relet by death

age	
under 30	0.032
30-44	0.080
45-59	0.385
60-69	1.241
over 70	6.045

These figures are combined with the estimated age-distributions of council house buyers as follows:

Percentage of buyers who would have created a relet by death:

age	Murle	Niner	Milton Keynes
under 30	0.000	0.003	0.015
30-44	0.027	0.039	0.031
45-59	0.200	0.138	0.039
60-69	0.112		
		0.208	0.109
over 70	0.242		
total	0.581	0.388	0.194

Note: In the case of the Niner and Milton Keynes examples, the percentage of tenants in the age-group 60+ creating a relet is taken to be the average of 1.241 and 6.045, i.e. 3.643.

Thus the immediate annual loss of relets due to death is from 0.6 per cent to 0.2 per cent, depending on the age-distribution assumed. There are two qualifications. First, no allowance is made for any fall in relets due to death resulting from the statutory right of succession. Secondly, it has been assumed that the household composition (single man, single woman, married couple) of sitting tenant purchasers is the same as for council tenants as a whole.

(Continued)

*Relets Due to Household Dissolution*

18. The DOE's Annex Table 1 gives 20,000 relets due to moves to live with another household or moves to old people's homes. In para 7 of the Annex, DOE argue that "a high proportion" of these are of households aged 75 or over. However, it seems unlikely that such a high proportion of moves other than to old people's homes are by people as old as this. Since no age distribution for these moves is available, it seems sensible to make two extreme alternative assumptions:

- A) that all these moves are by tenants aged over 70; and  
 B) that the age distribution of these movers is as for council tenants as a whole.

19. Under assumption B, the immediate annual loss of relets due to sales would be the same as for the stock as a whole:  $\frac{20,000}{4,730,000}$  or 0.423 per cent. This estimate should be regarded as an upper limit.

20. Under assumption A, the percentage of tenants aged over 70 moving for this reason would be 2.1 per cent. The loss of relets due to sales would be as follows:

Percentage of buyers who would have created a relet by dissolution:		
Murle	Niner	Milton Keynes
0.084	0.060	0.032

Note: The highest age-group for Niner and Milton Keynes is split by assuming that half are over 70.

*Total Loss of Relets*

21. For convenience, the immediate loss of relets due to the various reasons is summarised in Table 2.

Table 2

	Percentage loss of relets		
	Murle	Niner	Milton Keynes
Moves to owner occupation	1.233	1.740	2.593
Moves to private renting	0.361	0.458	0.933
Emigration	0.118	0.183	0.264
Remarriage etc	0.106	0.106	0.106
Death	0.581	0.388	0.194
Household dissolution (A)	0.423	0.423	0.423
Household dissolution (B)	0.084	0.060	0.032
Total loss of relets (A)	2.822	3.298	4.513
Total loss of relets (B)	2.483	2.935	4.122

22. Thus the overall immediate loss of relets due to sales is shown as lying between 2½ per cent and 4½ per cent, depending on the assumptions made. This compares with an average rate of relets for the stock as a whole of 3.7 per cent to 3.8 per cent (DOE Annex para 4). As the Milton Keynes age distribution is an extreme case, it is fair to say that the average immediate loss of relets due to sales is probably below the average relet rate for the stock as a whole: but on these figures it is not less than two-thirds of that average rate. The Milton Keynes example shows what could happen in an area where purchasers were predominantly young.

23. It will be noted that some assumptions have had to be made to produce these estimates. But the same is true of the DOE's own conclusion on the issue. The present analysis has the merit that the argument is in each case followed through to its conclusion. The DOE's own reasoning is incomplete. The numerous witnesses who have given evidence that there would be an immediate and substantial loss of relets, are vindicated.

24. The memoranda prepared for the Committee's First Report 1979-80 (HC714) suggested that total sales in the years 1980/81 to 1983/84 might be 362,000. If so, the annual loss of relets by the end of the period due to these sales, on the basis of the estimates in this note, would be

between 9,000 and 16,000. If sales in the years 1981/82 to 1982/83 were to be as high as 200,000 per year, then the annual loss of relets by the end of the period would be between 16,500 and 30,000.

25. As a proportion of forecast local authority and new town completions in 1983/84 (HC714, Memorandum 1, Table 5) this loss of relets would be between 34 per cent and 61 per cent on the assumption of 100,000 sales per year and a 16 per cent real rent increase, and between 50 per cent and 90 per cent on the assumption of 200,000 sales per year and a 16 per cent real rent increase. In this context, the loss of relets is clearly anything but "minimal".



[Continued]

## House of Commons Environment Committee

## APPENDIX 4

## COUNCIL HOUSE SALES

*The Long-Term Financial Effect of Council House Sales on the Public Sector as a Whole*  
*Mr David Webster - 13 October 1980**A. Introduction*

1. This paper examines the evidence given to the Committee on the DoE's "Appraisal of the Financial Effects of Council House Sales", January 1980, insofar as this shows the long-term effects on the public sector as a whole of the statutory right to buy implemented by the Housing Act 1980. It does not consider the financial effects on individual local authorities. Nor does this paper discuss the effects of sales under the General Consent.

2. It falls into several sections. Conflicting views have been put to the Committee as to the purpose which the DoE's Appraisal was attempting or should have attempted to serve. Since this is fundamental to the inferences which may be drawn from it, section B examines these views. The question of uncertainty and the way it should be handled has been discussed by witnesses at some length and is considered in section C. Section D discusses the views put to the Committee as to what is the appropriate time period over which to carry out the appraisal, and Section E the need for a consistent revenue account basis. In Section F, each assumption in the DoE Appraisal which has received comment is discussed in turn, and, following the Comptroller and Auditor General's example, a calculation is made in each case of the effect which apparently valid modifications (if any) would have on the results of the Appraisal. In the final section these modifications are brought together and estimates made (within ranges) of the probable aggregate financial effect of the sales likely to be made during the present Parliament.

3. Since the DoE Appraisal has attracted a heavy weight of criticism, it would be fair to note at the outset those comments which were made in its favour. The Comptroller and Auditor General (C. & A.G.) commented (para. 32(a)) that the Appraisal "provides a valuable and basically sound analysis of the assumptions" and indeed this comment was referred to by DoE witnesses (HC 535-xi, Q.1003). In para. 16, the C. & A.G. also said "The Appraisal is a very detailed document, which considers in some depth the main factors likely to affect the financial outcome. It describes the basis and logic of its method of assessment, and provides justification for the assumptions used in its calculations". CIPFA said (HC 535-v, p. 154, para. 2.10) of the Appraisal that "publication . . . has been welcomed by the Institute" and that it "follows, in many ways, the approach used by the Institute in its statement".

4. Although this was not said anywhere in the evidence to the Committee it is also fair to add that in the view of the writer the DoE Appraisal is undoubtedly the most sophisticated attempt to assess the financial effects of council house sales which has so far been published, and achieves some real methodological advances.

*B. The Purpose of the DoE Appraisal*

5. When criticisms by the C. & A.G. were put to them by the Chairman, DoE officials said (HC 535-xi, Q.1003): "In fact we did not present the Appraisal making judgments ourselves as to the probability of the assumptions. We specifically said that the ranges were not given to show the bands within which the answer must necessarily lie, but only to give an indication of the sensitivity of the calculations to alternative assumptions". In supplementary written evidence (19th August), again in reply to a query as to the reasonableness of certain assumptions, the DoE stated: "No suggestion was made in the Appraisal that the centre of any of the ranges was a more probable outcome than any other; indeed at no point was any view expressed about which assumptions were more likely to be fulfilled and which less. That is still the position of DoE Ministers; they therefore have no comment to make on the C. & A.G.'s views about the probability of different assumptions". DoE seem to have made the same point to the C. & A.G., as he reports (para. 26): "The Department of the Environment confirm that (the assumptions in the Appraisal) were not intended to be regarded as predictions or to imply any degree of probability; nor was it implied that the midpoints of the ranges represented the most likely results".

6. However, para. 1 of the DoE Appraisal states: "The Government's policy of selling council houses stems in the first instance from the importance it attaches to home ownership; but selling council houses does have financial effects for public funds. *This paper attempts to assess those effects*". Para. 11 states "The calculations are in terms of reasonably representative figures, which are considered to provide a fair picture but which do not apply to each and every case". (My emphasis in both quotations.) The statements cited by DoE in para. 5 above are drawn from para. 3 of the Appraisal, which reads in full: "No claim can be made to certainty in an appraisal of the financial effects of selling council houses. That the future is fraught with uncertainty is a commonplace. But it is nevertheless true. No service is rendered by conveying an impression of certainty where no such certainty exists; the best that can be done is to recognise uncertainty and show how sensitive are any conclusions to variations in any or all of the assumptions on which those conclusions rest. Ranges are given not to show the bounds within which the answer must necessarily lie, but only to give an indication of the sensitivity of the calculations to alternative assumptions".

Read in context, this is no more than the essential caveat that what is probable is not certain.

7. Moreover, in the DoE Press Release (PN 7, 11th January 1980) accompanying the document on its publication, the Secretary of State said: "*The appraisal which we have published today represents a most rigorous, sophisticated and comprehensive attempt to assess the financial effects of the sale of council houses. . . . To maintain objectivity a very wide range of alternative assumptions has been used. The appraisal shows that for the first 20 years, in all the assumptions examined in the appraisal, the sale of council houses would be financially beneficial to both local authorities and to the Exchequer. That takes us to the end of this century. Beyond that the assumptions, and therefore conclusions based on them, must be still more speculative. The appraisal reinforces our view that the sale of council houses should bring appreciable benefits, not only to council tenants, but to the community as a whole*" (emphasis added). Press coverage of the document reflected this interpretation of the document's status.

8. It is hard to escape the conclusion that, finding itself under investigation by both the C. & A.G. and the Environment Committee, the DoE has sought to redefine the purpose of the Appraisal in order to evade criticism. As published, it purported to be an attempt to establish the likely actual effects of sales, not an academic exercise to explore the sensitivity of the results to changes in arbitrarily chosen assumptions, as DoE now argue.

9. In fact the latter view of the purpose of an appraisal, even if it was not DoE's original view, nevertheless received some support from CIPFA. A representative comment is: "Long term projections are useful to illustrate a range of possibilities and also to facilitate comprehension of what is involved, provided assumptions and qualifications forming the basis of the projections are set out".

10. The C. & A.G., however, is firmly committed to the view of the purpose of an appraisal originally expressed by the DoE. He states, in his Note to the Committee (para. 4): "I concluded that this was a suitable time at which to review what had been done to assess and consider the financial consequences for the Exchequer of selling council houses" and (para. 6) "Council house sales come under my purview because of their effect on the accounts which I audit. . . . Departmental accounts bear very heavy expenditure by way of housing subsidies to assist in the creation of public assets, and Revenue accounts are also affected by the extent of the relief on mortgage interest which results from sales. The Exchequer therefore has a very clear interest both in the apportionment of the proceeds of sale of the assets, and in the various financial consequences of selling them". Given his interest in the actual financial consequences, rather than in a purely academic analysis of the effects of alternative assumptions, the C. & A.G. goes on to explain (para. 22): "In the discussions which my staff have had with the Department of the Environment, therefore, they have been particularly concerned to explore both the adequacy of the assumptions chosen and their relative probability". As he points out in para. 26: "It would be useful also to have an assessment which did aim to provide a reasonable indication of the likely range of net gains or losses. Shelter also say: 'We believe that it is possible to make some assumption of the likelihood of different assumptions coming true'".

11. In this paper it is assumed that the Committee's concern is the same as the C. & A.G.'s - i.e. it wishes to establish the likely financial effect of the statutory right to buy. Although the DoE now claim that they regard their own Appraisal as purely illustrative, and therefore that

*[Continued]*

they have no view as to the likely financial effects of the policy, it is also clear that the Appraisal can be used to establish these effects. As the C. & A.G. says (para. 32 (a)): "It provides a valuable and basically sound analysis of the assumptions which have to be made in order to calculate the financial consequences of a typical council house sale".

12. Before continuing with the discussion there are two other points which need to be dealt with.

13. First, the description of the Appraisal as referring to the "representative case" of sale. In para. 12 of the Appraisal, reference is made to "average" or "representative" figures, with the implication that the two terms may be used interchangeably. However, in their supplementary written evidence (19th August), in discussing the issues of replacement of dwellings sold and of tax relief on private improvement work, DoE use the term "representative" in a sense in which it clearly refers to the "most frequently occurring type of case" or "modal" case. If a "representative" case in this sense is examined, the result of the appraisal will not be the average result. However, if the focus of interest is the actual financial consequences of the right to buy then it is the average result which must be sought. Hence the DoE's dismissal of certain costs of the policy on the ground that they do not occur in the "representative" case is not acceptable.

14. The other point is one made by Bernard Kilroy (HC 535-v, paras. 45 & 50, pp. 138-9, and Q. 463, 467, 507). This is that many of the variables included in any appraisal are subject to policy decision, rather than prediction, by central or local government. Shelter make the same point in relation to one item in the appraisal: "It is misleading to include renovation costs because this is a decision which the local authority does not have to make if it does not sell - it can decide not to modernise". This is an important point, since uncritical use of a financial appraisal of this type may obscure real policy options (although Shelter do not seem to be right in applying the argument to a single item only, since it applies to many others also). For instance, if use of the assumption of a low rate of increase of rents leads to the conclusion that sales are profitable, the option should nevertheless be borne in mind of raising rents faster as an alternative to sales. However, although such policy variables may be under the control of the government or of local authorities currently in office for the next few years, they are in most cases not probably under their control beyond such a period. Hence it seems reasonable to treat them as matters for prediction as all other witnesses and the DoE have done.

15. However, there is one case in which this approach is not valid; this is where settled policy decisions of the present government definitely make the realisation of certain predictions less likely. The clearest example is that of renovation costs: the C. & A.G. points out (para. 27(c)) that a fall in the expected time before renovation of a typical house from 45 to 15 years (one of the DoE's assumptions) "would imply that total expenditure on renovation of public sector houses will triple immediately". In fact the government's expenditure plans almost certainly imply a reduction in improvement spending, probably by almost half by 1983/84 (see para. 100 below). As a result, attainment of the 15 year target would imply almost a fourfold increase of expenditure in 1984/85 and subsequent years compared with the 1979/80 level, or a sevenfold increase compared with 1983/84. Thus the DoE's assumption is rendered clearly less plausible by current policies. A similar argument applies (although to a lesser extent) to assumptions on future rent levels.

16. If this particular issue is settled in this manner - i.e. the appraisal is taken to be a comparison of the likely financial gains and losses to the public sector resulting (a) from the sale of the average house and (b) the retention for letting of the average house, it should nevertheless not be forgotten that there are other potentially useful comparisons. One has already been mentioned - the comparison of the financial effects resulting from sale with the financial effects of continued letting *on terms different from those which currently seem most likely*. But it would also be possible to compare the financial effects of sale now with the financial effects of sale at some later time - when, as DoE argue (Appraisal, para. 51), the need for council housing might be less than at present. It would also be possible to compare the financial effects of sale on the terms specified in the Housing Act 1980 with the effects of sale at market prices: this is the comparison Mid-Suffolk, for instance, have in mind when they say "All sales of housing property at a discount result in financial loss to the authority, of the difference between market value and sale price".

### C. The Question of Uncertainty

17. In the course of the Committee's deliberations, the question has arisen whether the future financial effect of council house sales is so uncertain that nothing useful can be said about it at all. This is the implication of CIPFA's statement that "the estimating of long-term financial implications, because of the subjective judgments necessary in making assumptions, is so conjectural as to be speculative". Bernard Kilroy came close to a similar position in saying (HC 535-v, p. 138, para. 43) that "the purpose of any analysis of this kind should never be, to predict what will happen and to prove whether or not sales are profitable".

18. However, both CIPFA and Bernard Kilroy elsewhere withdraw from this position. Mr. Webster, for CIPFA, said (HC 535-v, Q. 558) "I suppose there is a greater likelihood that in the long term there will not be the financial advantages that one can see in the short term". Mr. Kilroy wrote (HC 535-v, p. 139, para. 51): "On such assumptions there is no doubt whatsoever that it does not pay to sell at cut prices. Indeed the value of the loss over time, when capitalised as a lump sum, is likely to be not far removed from the size of the discount".

19. The problem of uncertainty in investment decisions is a familiar and well-understood one, on which there is a large economic literature. There seems to be no good reason to argue that the sale of council houses, as a *disinvestment* decision, involves any materially different considerations. In their standard text, *The Finance and Analysis of Capital Projects*, A. J. Merrett and Allen Sykes state (1st Ed., p. 176): "It is sometimes urged that errors in the data and the general uncertainty surrounding most investment decisions are usually such that it is not worthwhile engaging in any complex ('sophisticated') methods of analysis. There are probably some situations in which this is to a degree true, but it is important that the limited application of this view should be recognised. Omniscience is not the prerequisite of scientific method in this or any other field of decision taking". Certainly, the C. & A.G. takes the view that statements can be made about what are the probable financial effects of council house sales, and that they are useful (para. 26, quoted above). This position appears to be the correct one. If, for instance, a financial appraisal having a sufficiently wide and unbiased range of assumptions shows profits in the case of all or most alternatives, then it does seem that it can quite legitimately be said that sales "are probably profitable". To say of such a statement that what is probable is not certain would be true, but tautologous. All human decisions are made on the basis of what is probable and not certain.

20. Such statements of what is probable may obviously be better or worse depending on the quality of the reasoning, and the amount of research, that they embody. But it seems important not to confuse the size and complexity of the task of making good estimates with the different problem of uncertainty. CIPFA pointed to the former problem in saying (HC 535-v, Q. 558) that "it is like peeling an onion; you peel off one layer, but you still have an onion". However, peeling an onion is a finite task. It is important also to bear in mind that the potential effect on the financial appraisal of errors in many of the assumptions is small. The C. & A.G. gives (in para. 19) a table showing that, for instance, variations in the estimated cost of mortgage tax relief have a much smaller effect than variations in estimates of the loss of rent income. It is important not to exaggerate the degree to which the overall financial effect is made uncertain by uncertainty over individual items when the effect of these is small. CIPFA's comment (HC 535-v, p. 154, para. 2.6) that "minor changes in the underlying assumptions can have a major effect on results" is true of some items but not of others.

### D. The Appropriate Time-Period for an Appraisal

21. The DOE comment (Appraisal, para. 5): "There is no unique 'correct' time period for analysing the financial effects of selling council houses. Account must be taken of both short term and long term effects. Neither in isolation gives a complete picture". In the evidence to the Committee, there is unanimity that the immediate financial effect of sales is important. But there is less agreement as to the time period which should be taken to show the long-term effects.

22. The statement by the Secretary of State quoted above (para. 7) suggests that because uncertainty increases the further ahead one looks, a 20 year appraisal is superior to an appraisal covering the whole life of the asset. CIPFA agree that the 50 year appraisal is more uncertain than the 20 year appraisal, and that the economic assumptions used in the former are "largely if not wholly speculative". However, CIPFA also state firmly that "the Institute believes any long-term projection should be based on the expected remaining life of the property". This would be much longer than 50 years: the DOE comment (supplementary written evidence, 19th August)

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that "the expectation of life of houses . . . in Britain exceeds 100 years. . . . The average age of the local authority stock of houses . . . is between 25 and 30 years". This implies a "remaining life" of between 70 and 75 years. The C. & A.G. implies support for a whole-life appraisal. While not rejecting the 20 year appraisal, he confines his detailed attention to the 50-year case, and points out, in a paragraph headed "Is 50 years long enough?" that "the present value of any later foregone income and of the site would be relatively small when discounted over so long a period; and the 50 year figures may be regarded as coming close to a whole-life assessment". In fact he would appear not to be correct in this latter view: with a 1 per cent discount rate (one of the DOE's alternatives), the present value of £1 50 years hence is reduced only by 39 per cent, to 61p. If a whole life appraisal is desired, there does not seem to be any alternative to taking a 75 year period. This is not done in the present paper, because of the sheer scale of the undertaking. But the DOE accept (supplementary written evidence, 19th August, "The Residual Value of the Site", para. 3) that it could be done, and the likely effect of taking a period longer than 50 years ought to be borne in mind.

23. Given that whole-life appraisal is not available, should the 20-year period be taken as giving a superior answer to the 50-year period, as the Secretary of State argues and as the DOE (Appraisal, para. 10) imply?

24. Although the DOE's statement that there is no unique correct time period for an appraisal is correct, it may also be noted that there has to be some relevant purpose underlying the choice of a particular time period. The immediate financial effect is of obvious relevance in a number of respects – otherwise, pawnshops, for instance, would never have existed. Use of the whole expected future life of the asset also has an obvious rationale: it reflects the period over which receipts and payments will result from its existence. However, DOE do not suggest that a 20-year time period is relevant for any particular purpose; nor is it easy to think of one. They propose a 20-year time period as a solution to the problem of uncertainty (Appraisal, para. 10(c)). This does not appear easy to defend.

25. It has already been pointed out that conventional investment appraisal techniques seem applicable to the case of council house sales. Michael Bromwich, in "The Economics of Capital Budgeting", 1976, comments (p. 246): "Closely related to the payback method" (another method of dealing with uncertainty) "is the idea of setting a horizon for investment decisions. Possible receipts beyond this time are ignored on the grounds that these are too uncertain to be worthy of consideration. Receipts obtained before the horizon are usually regarded as certain and net present-value sums are done in the usual way. This method suffers from most of the disadvantages of the payback method and uses similar assumptions about risk. Along with payback, it may encourage subordinates to concentrate on high yielding short-term projects at the expense of more profitable long-term projects". On the payback method, Bromwich comments (p. 245): "The length of the target period is purely intuitive and has no analytical foundation". There is indeed no reason, other, perhaps, than an unarticulated chiliasm, for regarding receipts and payments in the year 2001 as so substantially more uncertain than those in the year 1999 that the latter should be included while the former are excluded altogether. This is not necessarily true in the case of all investment decisions: for instance, in the case of investments in Hong Kong the choice of a 17-year time horizon could be justified on account of the substantial increase in uncertainty after the expiry of the lease on the New Territories in 1997. But it appears to be true of council house sales.

26. Use of a 20-year horizon to deal with the problem of uncertainty may also be considered to be rendered redundant by the fact that while receipts after 20 years are indeed less certain than receipts before 20 years, the use of a discount rate ensures that they weigh correspondingly less heavily in the calculation. For instance, with the DOE's 3 per cent discount rate (one of two options, the other being 1 per cent), a £100 receipt in year 20 has a present value of £55; if it were received in year 40, the present value would be £31 and in year 50, £23. 3 per cent would generally be considered an unrealistically high real rate of return (cf. for instance, the comments of the Centre for Policy Studies on the use of this rate by the Government Actuary, *Financial Times*, 9/9/80) and may be regarded as including a substantial risk premium.

27. A further drawback to the use of a 20-year period is that it may be considered to introduce bias. The C. & A.G. comments (para. 17): "Assessing the overall financial consequences of selling a revenue-producing asset is bound to be difficult. Whether or not these

consequences will be advantageous to the seller in the long-term, there should be, in cash flow terms, an immediate or short-term benefit". In other words, by the choice of a short enough time horizon, the sale of a revenue-producing asset can *always* be shown to be profitable. But such a result is spurious.

28. It does therefore seem that the 50-year period is a better guide to the long-term effects of sales than the 20-year period. However, where modifications to the DoE's assumptions are discussed below, their effect on the results for both periods is shown.

29. DoE have nevertheless failed to use the 20-year time horizon in a consistent way. They told the Committee (CH 535-xi, p. 330, Qu. 30): "The 20-year calculation refers only to cash flows occurring during the 20 years". This statement is incorrect. Coun. M. Roberts, of Rushmoor points out (CH 2) that the value of mortgage repayments, which, on 25 or 30 year mortgages, would be made after year 20, has wrongly been included, as has the full cost of renovations in year 15, although in practice (on these assumptions) they would take place over the whole period from year 1 to year 30, and be paid for by loan charges spread over a full 20 years or more from the date of improvement. (Use of an average date does not give the same result as the correct distribution.) It is worth noting that it is only because of these obvious errors that the Secretary of State was able to say that the 20 year appraisal showed profits resulting from sale whatever the assumptions. These errors are put right in the present paper.

#### *E. Capital Account or Revenue Account*

30. CIPFA (HC 535-v, p. 155, para. 2.10.1) point out that "the Department's appraisal shows the financial flows in the first year with no distinction between capital and revenue". In their Appendix B, para. 5.9, they also apply this criticism to the 8-year appraisal (DoE Appraisal, Table 10). In both cases they argue that revenue account items alone should be included - i.e., in the case of capital receipts, only the interest received on the capital should be shown. On the 20 year appraisal, CIPFA say (HC 535-v, Q. 525) that "if the property is standing and usable then a value ought to be brought in and then discounted back to net present value". This, however, would be to reintroduce a capital account item into the appraisal, and is inconsistent with CIPFA's earlier point.

31. In fact, there is a strong case for including the value of the house in year 20. The reason for this is quite simply that if the house is not sold in year 0 then its subsequent sale remains a possibility. Renting for 20 years followed by sale is a real option which the DoE Appraisal has concealed. Omission of the value in year 20 is rendered particularly absurd by the fact that in half the options considered, the house is assumed to have been comprehensively improved in year 15. Bernard Kilroy makes the same point in the article from *Roof*, January 1980, annexed to his evidence. So also does Coun. M. Roberts of Rushmoor.

32. These problems are simply the result of the DoE's use of a truncated time-period instead of the whole life of the house. In a whole-life appraisal, it would make no difference whether a revenue account or capital account basis were used, nor would the value of the house in any year prior to the final year be of any interest. It has already been argued that an appraisal showing revenue flows over a truncated period is less satisfactory than a whole-life appraisal. But if the former type of appraisal is to be used, then it must at least be done on a consistent basis. The present value of the capital cost of improvements, replacements, or improvement grants in the year in which they are made, discounted back to year 0, is not relevant to the appraisal. What is required is the present value of the flows of loan charges - the actual payments - resulting from these capital costs. If a 20 year or 50 year time horizon is being used, then this latter value will be smaller, because the flows will partly lie beyond the chosen horizon. This is the treatment used here.

#### *F. Comments on the DoE's Assumptions*

33. Each of the DoE's assumptions which has attracted criticism is now considered in turn. For convenience, the order, where possible, is the same as that followed by the DoE. Where the effects of any variation in the DoE's assumptions are shown, it is usually necessary to distinguish between the four sets of economic assumptions made by the DoE. These were as follows:—

Case I 4 per cent inflation, 5 per cent p.a. increase in earnings, interest rate 5 per cent.

Case II 4 per cent inflation, 6 per cent p.a. increase in earnings, interest rate 7 per cent.

*(Continued)*

- Case III 9 per cent inflation, 10 per cent p.a. increase in earnings, interest rate 10 per cent.  
Case IV 9 per cent inflation, 11 per cent p.a. increase in earnings, interest rate 12 per cent.

*Economic Assumptions*

34. Three criticisms have been made of the economic assumptions used by the DoE.
35. First, the Battersea Redevelopment Action Group (BRAG), commenting on Wandsworth's financial appraisal, said "the calculations assume (unrealistically) that the discounted value of these mortgage repayments will be equal to the capital sum borrowed. In practice, the effect of inflation on these repayments significantly reduces the real value of the repayments". BRAG's comment amounts to a statement that the real interest rate (i.e. (approximately) the nominal interest rate minus the inflation rate) should be assumed to be negative. At the time of writing the BSA interest rate is negative (if the RPI is used to indicate the inflation rate) and was negative in six out of the nine years 1970 to 1978 (cf. M. J. Farmer & R. Barrell, *Entrepreneurship and Government Policy*, Brunel University (unpublished), 1980, Table 1H); so BRAG's point must be taken seriously. Shelter also point out that "in recent years the real interest rate has been negative and for the post-war years as a whole it has been only slightly positive (between 1-2 per cent)". A regime of permanently negative real interest rates does not seem beyond the bounds of possibility, although developments in the savings market suggest that building society rates are likely to be higher in the future than in the past (it will be recalled that S. 110 of the Housing Act 1980 provides that local authorities should levy the higher of a "standard national rate" based on the BSA rate or their own pool rate plus  $\frac{1}{4}$  per cent).
36. CIPFA (HC 535-v, Q. 510) criticised the use in the DoE Appraisal, paras. 17 and 18, of the yield on Consols to establish the real rate of interest, suggesting that the (higher) average local government borrowing rate would have been more appropriate. However, in their Appendix A, since they propose a real rate of 2 per cent, while DoE use a range from 1 to 3 per cent, they did not suggest any actual change in the Appraisal. However, the point made in the previous paragraph suggests that it should be borne in mind that if the average interest rate over the 50 year period were to fall outside the 1 to 3 per cent range chosen by the DoE, it seems more likely to be below it than above it. If it were below it this would reduce the profitability of sale, and vice versa.
37. The second criticism is made by Sheffield's Treasurer. In commenting on CIPFA's own appraisal he says "Whilst I would agree that interest rates generally need to be in excess of inflation rates in the long term if the economy is to survive I do not think that this is necessarily the right rate at which to discount future payments. Effectively in doing this the CIPFA calculation makes another unspecified assumption that over the 80 year period there will be an annual growth in real terms of the economy of 2 per cent". He goes on to argue for a zero real rate of discount. In fact the use of the real rate of interest as the discount rate, as advocated by DoE in para. 7 of the Financial Appraisal, does seem correct - although this is an exceedingly complex subject. But current expectations of economic growth certainly provide no ground for using a higher rate.
38. If the conclusion on both these points are accepted, then it follows that DoE have correctly estimated the present value of the sales proceeds: the present value of the payments on an annuity mortgage at a given rate of interest, if discounted at the same rate, is equal to the amount of the mortgage.
39. The third criticism is that even if the DoE's economic assumptions are appropriate over the longer term, some realistic path must be assumed by which the economy moves from the present very different conditions to those assumed. Because of discounting, different economic assumptions in the short term could have a significant effect on present values. The Committee asked the DoE in written question 29 (HC 535-xi, pp. 325-9) to compute the effect of one such "realistic path", for Cases I and IV. In reading the DoE's Table 6 (HC 535-xi, p. 329) it will be useful to bear in mind that "Alternative A" is the same as Case IV (the last alternative given in Table 17 of the DoE Appraisal) and that "Alternative B" is the same as Case I (the first alternative given in Table 17 of the DoE Appraisal).

40. For reasons explained in paras. 55 to 63 below, the lowest rent increase assumption in Case I, and the two lowest rent increase assumptions in Case IV, are disregarded. The effect of the "realistic path" is then as follows:—

Case I low end of range of gains reduced by between £407 and £882.  
high end of range of gains reduced by between £232 and £707.

Case IV low end of range reduced by between £694 and £778.  
high end of range reduced by between £177 and £261\*.

In all cases, therefore, the profitability of sale is reduced, by an amount ranging from £177 to £882. Of course, the "realistic path" specified here is not necessarily the correct one—it is merely illustrative. But the point made is an important one.

#### *Size of Discount and the Two-Year Option*

41. In their Appraisal, DoE assume (para. 26) that an average discount of 40 per cent—the middle of the 30 per cent to 50 per cent range—would apply. Five authorities responding to the local authority survey gave estimated average discounts, and these ranged from 35 per cent to 46 per cent. Although thin, this evidence bears out the DoE assumption. But there was also some evidence from the replies to Qu. A(iii) of the local authority questionnaire that the "cost floor" may lower the average size of discount: eight authorities made this point, and of these Bracknell and Skelmersdale estimated the proportion of their stock affected at 13 per cent and 20 per cent respectively. The provision, by statutory instrument, for a £25,000 limit on the absolute size of discount might also have some effect in a few areas.

42. However, any argument for lowering the average discount from 40 per cent must be weighed against the fact that, as CIPFA point out, the DoE Appraisal omits any allowance for the effects of the two year option, which would increase the effective percentage discount. The potential effect of this provision is unlikely to be very great: if 20 per cent of purchasers used the option for the full 2 year period, at a time of 20 per cent inflation per year, and the average discount were otherwise 40 per cent, then the effect would be to raise the overall average discount to 43½ per cent. An additional 3½ per cent average discount would worsen the financial profitability of sale by £512 in all cases, for the 50 year appraisal (the effect on the 20-year appraisal would be slightly different—see para. 47 below). Moreover, figures published in *Housing and Construction Statistics*, Part 2, March 1980, show that the average discount on sales had already reached 39 per cent in the first quarter 1980—before the two year option became available, and while some authorities were still selling at the old, lower range of discounts.

43. On balance the best course appears to be to retain a 40 per cent average discount, although this may prove a little low.

44. However, allowance does need to be made in the case of sales before 3rd April 1981, for the price freeze announced by the Minister for Housing and Construction on 11th August 1980 (PN 330). In the case of the sales made between October 3rd 1980 and April 3rd 1981, an additional discount will apply: Mr. Stanley said "The Act provides that anyone who applies to buy in the first 6 months after the date of commencement will have their house or flat valued at the date of Royal Assent". (This refers to S.3(5) of the Housing Act 1980). On the assumption that the increase in house prices over the 8 month period of the freeze will be of the order of 5 per cent, the average value of the additional discount would be approximately 2½ per cent. This would reduce the profitability of sale by £350 in all cases, for the 50 year appraisal, and by somewhat less in the case of the 20 year appraisal. The object of this provision is to increase the number of sales, and the number of sales affected is therefore likely to be greater than the 31,250 implied by the Secretary of State's estimate of 62,500 sales in 1980/81 (*First Report*, 1980–81 Minutes of Evidence, Q. 46)—an estimate which already appears too low in the light of Mr. Stanley's announcement to the Conservative Party Conference that 75,000 council houses had been sold "in the past year" (*Financial Times*, 10/10/80).

#### *Excessively Low Valuations*

45. The Standing Conference of Rural Community Councils say "current valuations would seem to under-value houses being sold to tenants", and quote evidence from West

\*All these figures are in £100,000 unless otherwise stated. © University of Southampton Library Digitisation Unit



*[Continued]*

Wiltshire. Nottingham Alternative Publications have alleged to the District Auditor that "losses were caused due to council houses sold being unlawfully valued at less than market value at the time of sale".

46. Whether or not these allegations are justified makes no difference to the Financial Appraisal, since the house price used by the DoE to estimate the proceeds of sale (para. 26) is based on actual experience of sales and thus would include the effect of any undervaluation. So no adjustment is required. It remains true, of course, that if undervaluation occurs it results in losses to the public sector by comparison with what *should* have been the result of sale.

#### *Mortgage Receipts*

47. It was noted above (para. 29) that the DoE include the full value of the purchase price, in the case of both the 20-year and the 50-year appraisal, although some mortgage repayments would be made after year 20. Consistency demands that these should be excluded from the 20-year appraisal.

48. Murie's survey provides some evidence on the length of mortgage terms (*The Sale of Council Houses*, 1975, p. 118). He interviewed, in 1973, 171 purchasers of council houses in Birmingham between 1968 and 1973 - i.e. on average his sample were 2½ years into their mortgages. 12 per cent were due to complete in over 25 years, 19 per cent in between 20 and 25 years, and 22 per cent in between 15 and 20 years. It would seem approximately correct to assume that 12 per cent originally had 30 year mortgages and 19 per cent 25 year mortgages. Wirral (sample size 50) give rather smaller proportions: 4 per cent had 30 year mortgages and 12 per cent had 25 year mortgages. E. Hampshire give 5 per cent with 30 year mortgages and 26 per cent with 25 year mortgages. It would seem best, in the absence of other information, to take the weighted average of these proportions. This implies 9 per cent with 30 year mortgages and 19 per cent with 25 year mortgages.

49. The present values of the mortgage repayments excluded from the 20-year appraisal are then as follows:—

	£p.v.
Case I	328
Case II	256
Case III	172
Case IV	131

50. This makes no allowance for mortgages repaid before term. It ought to be noted, however, that S.18(b) of the Housing Act 1980 gives every tenant purchaser - irrespective of his or her age or other circumstances - the right to a 25 year mortgage. This provision may, and probably will, result in an increase in the proportion of purchasers with mortgage terms over 20 years, and in that case the deductions calculated in para. 49 will be too low. These two factors may be assumed approximately to offset each other.

#### *Assumption on Initial Rent Level*

51. Two revisions seem to be required to the initial rent level of £8 per week assumed in the DoE Appraisal.

52. First, para. 36 of the Appraisal explains that the figure is based on "the 1979 average of £6.50 plus the announced guideline for 1980 of £1.50 a week". This has now been overtaken by events, with the announcement of a second guideline increase of 60p in October 1980, bringing the average increase over 1979/80 to £1.80 a week. (In spite of the reference to "1980", the Appraisal is in fact concerned with 1980/81, as para. 26 on house prices shows.) Revision of this assumption would be inappropriate if the assumptions on house prices also required revision. But this does not appear to be the case. As a result, each of the figures for the present value of rent foregone must be raised by 3½ per cent - an amount ranging from £179 to £270 over 20 years and from £238 to £593 over 50 years, depending on the economic assumptions.

53. The second revision arises from a point made by Bernard Kilroy (HC 535-v, p. 138, para. 47(c)). The average rent for all HRA dwellings has been used, rather than that for those most likely to be sold. A written question to DoE (HC 535-xi, p. 330, Qu. 31) asked why the average rent for all dwellings had been used in an appraisal that concerned only houses. DoE

replied that the difference would only have been a maximum of 14p and that "to use £8.14 rather than £8.00 as the average weekly rent seemed to be spurious precision". Unfortunately, the result of this procedure is to bias the assessment in favour of sale, by 1½ per cent of the present value of rent foregone or from £83 to £126 over 20 years, and from £111 to £277 over 50 years, depending on the economic assumptions.

54. In fact Mr. Kilroy's point refers also to the age of properties: 76 per cent of properties sold in 1977 were post-war. (Article from *Roof*, January 1980, annexed to his evidence.) He proposes an 8 per cent increase in the initial rent, which would imply an assumption that all dwellings sold were post-war houses. This seems too large, since not all dwellings sold even in 1977 were post-war houses, and the statutory right to buy seems likely to widen the range further. But a 4 per cent increase would seem a fair adjustment; this is approximately what would result if half the dwellings sold under the Housing Act were post-war houses. This adjustment (which would be instead of rather than additional to that discussed in the previous paragraph) would raise the present value of rent foregone by a further £198 to £299 over 20 years, and by £263 to £656 over 50 years, depending on the economic assumptions chosen.

#### *The Rate of Increase of Rents*

55. The C. & A.G. comments (para. 27(c)): "The Appraisal assumes at one extreme that rents will rise, over a 50 year period, at the same rate as in the last 5 years, 1974-79, i.e. at only 75 per cent of the rate of increase in prices. In view, inter alia, of past experience . . . it seems relatively improbable that rents should increase over so long a period by significantly less than the rate of inflation". He goes on to imply that the lowest of the DoE's six assumptions on the rate of increase of rents should be deleted, noting that in Case III the effect would be to increase the minimum rent foregone by £3274.

56. CIPFA did not propose the deletion of the lowest assumption, but made it clear that they considered real increases in rents to be likely. As reasons for this view they cite the immediate prospect for rents (an increase of £1.50 per week (an average of 23 per cent) from April and a further 60p from next October) (HC 535-v, p. 155, para. 2.10.4); and S.100(3) of the Housing Act 1980 which provides that in making a determination of a local authority's reckonable income the "Secretary of State shall have regard, among other things, to past and expected movements in incomes, costs and prices". In oral evidence (HC 535-v, Q. 517) Mr. Bucknall said: "For many years now tenants have been paying gradually declining percentages of the outgoings. Successive Governments appear to have wanted to reverse that situation, so that is another reason why we think rents should go up faster than earnings". Mr. Bucknall agreed with Mr. Scott (Q. 518) that "the evidence is pointing in that direction at the moment", and went on to add, "If the Housing Bill goes through, there will be no restrictions on making surpluses (on HRAs), therefore they (local authorities at present constrained by the "no profit" rule) may be encouraged to put rents up. Indeed, when the new subsidies system comes out they may have no option". In a further reply to Mr. Johnson-Smith, Mr. Bucknall said (Q. 519): "I think that sooner or later we have got to come to terms with the true cost of housing, and I think there will be a tendency for rents to rise faster than earnings. My colleagues agree with me on this, I am not just giving you a personal view". In reply to a question from the Chairman on the implications of the 1980 Public Expenditure White Paper housing expenditure plans, Mr. Bucknall said (Q. 522), "One can only draw the conclusion that the authors of the White Paper see other income, local contributions, providing a much bigger percentage of the bill. In other words, it reaffirms our view that the intentions are that subsidies will decline, which must mean more money coming from the tenants or the ratepayers". The Chairman asked (Q. 523) whether this increased the likelihood that the CIPFA projection showing rents rising 1½ per cent faster than inflation "would be nearer to the mark than the others" (which show rents rising at the same rate as inflation). Mr. Bucknall replied, "We think it points in that direction". Mr. Bucknall went on to add, "Local authorities will have the choice of how they find their local contributions between more rates and more rents. However, if pressure is on them to keep their rate fund expenditure within certain limits, it is inevitable that they will have to look again at their tenants".

57. Mr. Bernard Kilroy also drew attention (HC 535-v, p. 137, para. 47(a)) to "the commitment of Governments of both Parties to raise nominal rents in line with earnings, explicit under the previous Administration's Housing Bill and implicit under the present Administration's Bill". In oral evidence (HC 535-v, Q. 465) he said: "As far as I am aware,

[Continued]

looking at the experience of the last 30 years, say, since the war, rents have, broadly speaking, kept in line with earnings. It may also be that you have been looking at gross earnings. I think I am right in saying that between 1974 and 1977 real net disposable income after tax did not rise in real terms. I know that there were all sorts of pressures on rent levels at that time, but such a trend would, in many respects, justify some sort of holding, in real terms, of rents. Of course, from 1978 real net disposable income after tax went up very fast, and then the situation changed. These are very important distinctions. If I may say so, I think this is a distinction which was not made in the DoE paper". The Chairman asked Mr. Kilroy (Q. 477) "How does the evidence that we had from the Secretary of State accord with the assumptions in the DoE Appraisal?" and he replied: "There are five or six series of assumptions about rents. Quite clearly, what would happen is that it would be the top assumptions that would be followed (in other words, the high rent increases)".

58. Mr. Kilroy also commented (HC 535-v, p. 138, para. 47(b)) on the "virtually impossible prospects . . . such as that rents could fall in real terms from £8 to £2.62 per week in 50 years' time while management and maintenance costs rose from £2.34 now to £5.25".

59. Shelter say "it is possible to make some assumption of the *likelihood* of different assumptions coming true, and in particular to choose assumptions which are compatible with current Government policy. In particular, this means a faster rate of rent increase than has been the historical experience to date, as the new subsidy system to be introduced in 1981 via the Housing Bill will ensure that Government targets are met". They propose (Statistical Appendix I) the deletion of both of the two lowest assumptions on rent increases contained in the DoE Appraisal.

60. It may be helpful to note what exactly is implied about the relationship between rents and earnings by the DoE's assumptions. On the lowest rent increase assumption, in Cases I and II, rents would have fallen at the end of 50 years to 62 per cent of their 1980 real level, while earnings would have risen to 161 per cent (Case I) or 259 per cent (Case II) of their 1980 real level. Thus if the average local authority rent in 1980 is around 7 per cent of average male manual earnings – historically rather a low level (cf. *First Report*) – then, after 50 years it would have fallen to about 2½ per cent in Case I, or 1½ per cent in Case II. In Cases III and IV, rents on the lowest assumption would have fallen after 50 years to 36 per cent of their 1980 real level, while earnings would have risen to 158 per cent (Case III) or 248 per cent (Case IV) of their 1980 real level. Rents as a percentage of manual workers' earnings would have fallen from 7 per cent to 1½ per cent in Case III, or to 1 per cent in Case IV. By contrast, the *highest* option examined by the DoE Appraisal would have rents merely remaining constant at 7 per cent of male manual earnings! No wonder the C. & A.G. commented (para. 32(e)): "In my view, some of the assumptions most favourable to public funds are clearly less probable than those least favourable". Nor is any serious argument possible against CIPFA's view (HC 535-v, p. 155, para. 2.10.4) that a further assumption should be used that rents rise at a faster rate than earnings. The degree of bias in the DoE's assumptions is simply astonishing.

61. The second lowest of the DoE's rent increase assumptions produces the following results. In Cases I and II, rents would have fallen at the end of 50 years to 91 per cent of their 1980 real level, while earnings would have risen to 161 per cent (Case I) or 259 per cent (Case II) of their 1980 real level: a fall in the proportion of manual workers' earnings from 7 per cent to under 4 per cent in Case I or under 2½ per cent in Case II. In Cases III and IV, rents would have fallen to 83 per cent of their 1980 real level, while earnings would have risen to 158 per cent (Case III) or 248 per cent (Case IV). The proportion of manual workers' earnings would have fallen from 7 per cent to 3½ per cent in Case III, or under 2½ per cent in Case IV. All except Case I appear thoroughly implausible, while even Case I is unlikely.

62. It is important to note that although the two lowest rent increase assumptions are said by DoE to be based on the historical experience of 1974 to 1979 and of 1969 to 1979, this is only true of the relationship of rents to prices. From 1974 to 1979 rents rose at a rate 32 per cent below earnings (DoE Appraisal, Table 3). Yet the DoE's lowest assumption has rents rising 40 per cent below earnings in Case I, 50 per cent below in Case II, 32.5 per cent below in Case III, and 39 per cent below in Case IV – all below the historical experience. From 1969 to 1979 rents rose at a rate 23 per cent below earnings. The DoE's second lowest assumption has rents rising 24 per cent below earnings in Case I, 37 per cent below in Case II, 14.5 per cent below in Case III, and 22

per cent below in Case IV. Thus in the case of the second lowest assumption, in only two out of the four sets of economic assumptions is the relationship of rents to earnings compatible with the historical record. The comments of Mr. Kilroy at Q. 465 (quoted above, para. 57) are clearly relevant here.

63. A sensible procedure would seem to be to choose rent increase assumptions whose outer limits imply approximately either a fall to 4 per cent or an increase to 10 per cent in the ratio of rents to manual workers' earnings of approximately 7 per cent in 1980. Thus the C. & A.G.'s suggestion to delete the DoE's lowest assumption would be followed, and Shelter's suggestion to delete the DoE's second lowest assumption would also be followed, but only for Cases II, III and IV. For Case I the second lowest assumption is not clearly unreasonable, and is retained. CIPFA's suggestion that an assumption should be included under which rents rise faster than earnings is implemented by assuming a rate  $\frac{1}{2}$  per cent greater than earnings in all cases. This would produce a ratio of rents to earnings of just under 10 per cent after 50 years.

64. The effect of removal of the lowest assumption in all cases and of the second lowest assumption in three cases is to raise the lowest value of rent foregone by from £406 to £1079 in the 20 year appraisal, and by from £1772 to £4273 in the 50 year appraisal, depending on the economic assumptions.

#### *Allowance for Voids*

65. CIPFA query the DoE Appraisal's deduction of 1 per cent of rent income to allow for voids if the house remains tenanted. The Committee raised this point with DoE (HC 535-xi, p. 330, Qu. 33) and their reply appears satisfactory.

#### *Absence of a Rent Increase Following Modernisation*

66. Sheffield's Treasurer, in a commentary on the CIPFA statement points out that modernisation would be followed by a rent increase and that no allowance has been made for this. It may be argued, however, that in the absence of modernisation the rent would in fact increase less fast than council rents generally. DoE argue this in the *Housing Policy Technical Volume* (Cmd. 6851, 1977) Part I, Chapter IV, para. 18:

"For instance, the simplifying assumption is made that the house commands its full rent up to the end of its useful life, with the aid of the major renewals and ordinary upkeep. But a gradual decline towards the end would be just as plausible."

67. It is suggested that no adjustment should be made for this factor.

#### *Rent Rebates and Supplementary Benefits*

68. The DoE Appraisal makes a deduction of one-half of the rent payable from year 16 to year 35, on the ground that the typical purchaser would have retired in fifteen years' time and would have qualified for a rebate of one-half the rent. Thereafter it is assumed that the house could have been let to anyone, and a deduction of one-tenth of the rent is made to reflect the average rebate paid to local authority tenants. The deduction of one-half of the rent from years 16 to 35 has a very large effect on the results of the Appraisal – where rents rise in line with prices, the value of the deduction is £3233 in Cases I and III, and £1986 in Cases II and IV. The deduction of one-tenth of the rent in years 36 to 50 has a smaller effect, but it is still significant: £407 in Cases I and III, and £176 in Cases II and IV.

69. One methodological problem should perhaps be mentioned at the outset. The assumptions on the rate of rise of rents, already discussed above, in most cases involve alterations in the relationship between rents and earnings. It is obviously inconsistent to assume the same proportionate rent rebate whatever happens to this relationship. In the case of the DoE's own rent increase assumptions, the improbability of the lower assumptions – commented upon by the C. & A.G. – and which, as we saw, involved in one case a fall in the ratio of rents to manual earnings from 7 per cent to 1 per cent, is compounded by the further improbability – indeed impossibility – that rebate payments would be unaffected. This has led in the published document to very great exaggeration of the benefits of sale in some cases.

70. If (and only if) the proposal is accepted that the rent increase assumptions should be such as to imply an equal probability of an increase or decrease in the ratio of rents to earnings, and by the same extent, then the methodological problem becomes less serious. It remains

*[Continued]*

incorrect to assume that proportionate rebate payments are unaffected. However, this error now has the effect merely of widening the range of gains or losses shown: exaggerating the gains where rents fall as a proportion of earnings, and exaggerating the losses when they rise. It becomes equivalent simply to assuming a wider range of rates of increase in rents. It is therefore suggested that this aspect of the DoE's appraisal be accepted, in conjunction with the proposed revisions to the rent increase assumptions.

71. A further methodological revision is required as a result of the DoE's acceptance, in its Notes to the Committee of 17th and 29th September, that the loss of relets due to sales can be estimated at 1.85 to 1.92 per cent (say, 1.9 per cent) per year over 10 years.\* This means that by the end of 15 years, about 28.5 per cent, and at the end of 35 years about 66.5 per cent of houses sold would have been relet. In these cases, on the DoE's own argument, the rebate paid should be taken to be the average rebate paid to council tenants (one-tenth of the standard rent) and not one-half.

72. The C. & A.G. does not make the point explicitly, but his comment (para. 23(c)) that "my staff questioned whether it was not likely that in future a proportion of (tenants moving out of council housing), including those in younger age groups, would take advantage of the new opportunities to buy" suggests that the average age of tenant purchasers may fall, postponing the date of retirement. Shelter make this point explicitly. It is suggested that this point should not be incorporated in the appraisal, but the possibility should be borne in mind. However, the DoE have assumed the average age of sitting tenant purchasers as 45, when both Murie and Niner give it as 44. This correction is made here, so that the twenty year period for deduction of rebates is assumed to extend from year 17 to year 36. The DoE are assuming a fall in the retirement age to 60 for both men and women. While this is probable, there is no guarantee that it will occur. However, it is suggested that this assumption may be left unchanged.

73. Shelter argue that rent rebates should be excluded altogether from the Appraisal: "Rent rebates are paid to individuals to help with their housing costs, as are rent allowances and supplementary benefit in the private sector. If someone is in need of assistance with his housing costs because of poverty, he is likely to be so whether or not he is in the public sector. Therefore such 'savings' are likely to be illusory and for accounting purposes only, just transferring the grant from one category - rent rebates - to another - that is, if the Government's stated intention of ensuring that everyone entitled to assistance with housing costs in the private sector gets it".

74. This is a point of real substance. Let us examine it, first, in relation to the hypothetical future occupant of the unsold dwelling after the tenant non-purchaser would have left. What Shelter are saying is that this new occupant could have received public support whether or not the tenancy were made available to him (tax relief and general subsidies are already explicitly taken account of in the appraisal, but not income-related support). Shelter's point does appear to require some qualification. Since the amount of financial support required depends on a household's housing costs, as well as its income, it does not follow that it will be the same irrespective of tenure. For an owner below retirement age drawing supplementary benefit it will probably be higher; for a retired owner it will probably be lower; for a private tenant, paying a "fair rent", it will probably be higher; for a sharing household, it will probably be lower, irrespective of tenure; for a homeless family in a hostel or bed-and-breakfast accommodation, it will certainly be higher (Shelter raise this point also). Whether the cost of income-related housing support should be reckoned to be higher or lower in the council sector than elsewhere, for the average new entrant to the sector, depends on the characteristics of new entrants to the tenure, which is difficult to predict. What is clear, however, is that on average the support received elsewhere would not have been zero, and the DoE procedure is biased. The best course would seem to be to omit rebates in this case.

75. When we turn to rebate payments made to the sitting tenant if the house is not sold, Shelter's argument does not seem correct. Rebates are not available in the owner-occupied sector, and thus would not be available to the sitting tenant were he to purchase. They form a valid part of the appraisal.

\*As a result of the Department's further letter dated 24th October, the estimated loss of relets must be revised upwards by about 0.3 per cent, to about 2.2 per cent. The calculations in this Memorandum have not been reworked to take account of this revision; were this to be done, the results would show greater losses to the public sector as a result of sales.

76. Supplementary benefits, on the other hand, are in fact wholly omitted by DoE from the Appraisal: DoE note in para. 33 that they do not figure in the local authority balance, and do not add them into the public sector balance in paras. 57ff. Unlike rebates, supplementary benefits are payable to households in any tenure. Once again, it is true that their amount depends on housing costs as well as on household incomes, although the latter are a relatively more important determinant than in the case of rebates. Substantial payments of supplementary benefits are made in every tenure. A Parliamentary Written Answer on 26th June 1980 provided estimates to the effect that of pensioner households in the owner occupied sector, a little under 14 per cent were receiving supplementary benefits; among pensioner households in the council sector, the figure was a little under 50 per cent. For owners and tenants with given levels of income, the proportions would obviously be much closer.

77. An issue which DoE do not raise is the so-called "better-off" problem; this means that a large number of tenants are in a position to claim either supplementary benefit or rebates, so that the proportion doing so at any one time is dependent on the (varying) entitlement under the rules of each scheme, and tenants' awareness of them. As a result the use in the Appraisal of the proportion claiming one or the other at a particular time is arbitrary.

78. Without a good deal of further investigation it would be difficult to resolve these problems; however, it seems best, at least provisionally, to follow DoE in excluding supplementary benefit payments from the Appraisal. The Department may wish to comment further on the issue.

79. The amount of the rebate deduction in respect of non-purchasing tenants was also queried by CIPFA. While noting that sales may reduce the amount of rent rebate paid, they say that "it might also be argued that those persons eligible or likely to be eligible for rebates were likely to remain tenants". The DoE's deduction is arrived at by assuming that every tenant purchaser would have claimed a rebate equal to the average amount paid in the tenure as a whole. DoE justify this assumption (Appraisal, para. 33) on the ground that three-fifths of outright owner occupiers have incomes which would have entitled them to rebates had they been tenants paying an average local authority rent. An unstated assumption is presumably being made that the two-fifths of outright owners with incomes above this level would all be better off than tenant purchasers. Even if this were accepted, however, it does not follow that the rebate the tenant purchasers would have been entitled to would have been as large as the average rebate. CIPFA's doubts therefore appear justified. Both steps in the DoE's argument are weak, and indeed DoE admit (supplementary written evidence, 19th August) that there is little up-to-date relevant information. However, the DoE's assumption is not clearly wrong and it is suggested that it should in principle be retained.

80. The C. & A.G., however, (para. 23(a)), points out that in allowing for the payment of rent rebates after their retirement to tenants who do not buy, the DoE Appraisal makes no allowance for the future effect of the new state pension scheme, which will result in lower entitlement to rent rebates. In their reply (further written evidence, 19th August) the DoE say that no attempt was made to include the effect of the new scheme in the appraisal because of "imponderables" relating to the level of earnings during the assumed 18-year qualifying period. This appears unsatisfactory. The existence of the new scheme is not a possibility, but a fact. Claims under it are not a possibility, but a probability, and a very strong one at that. An estimate of the effect can in fact be made quite simply. The 1978 General Household Survey gives the following distribution for the gross annual income of economically active council tenant household heads (i.e. almost all of those able to buy):—

£	%	
1500	5	
1500-2999	32	
3000-3999	34	sample size: 1962
4000-5999	26	
6000 +	3	

This implies a median income of about £3500. At 1980/81 prices this income would be £4920 — say £5000. A tenant retiring after 16 years would have 18 years service under the scheme, and would receive a supplementary pension equal to 15 per cent of average earnings in each of these

[Continued]

18 years, i.e. 22.5 per cent of earnings, or £1125 per annum, or £21.63 per week. The DoE have assumed an income of £13 a week from sources other than the basic pension; of the additional £8.63, given the rules of the rent rebate scheme, 17 per cent or £1.47 would be paid in rent. The average rebate is then reduced from one-half to 31.6 per cent – say one-third. The fact that the rebate would fall for purchasers after 1980/81 should be borne in mind; the average purchaser in 1982/83 would, on retirement, receive a full 20-year entitlement of one-quarter of average earnings, or £24, and the rebate would have fallen to just over one-quarter of the rent. The fact that the average rent is now taken to be £8.32 rather than £8 (para. above) is ignored here; it would make very little difference.

81. The result of this discussion is to conclude that one-third of the rent should be deducted between years 17 and 36, in the case of remaining tenants, to allow for rebates; no other deduction is made. The proportions of tenants assumed to remain, and the resulting total deductions from rent income, are as follows:

year	% of tenants remaining	total % deduction from rent income
17	70	23
18	68	23
19	66	22
20	64	21
21	62	21
22	60	20
23	58	19
24	56	19
25	54	18
26	53	17
27	51	17
28	49	16
29	47	16
30	45	15
31	43	14
32	41	14
33	39	13
34	37	12
35	35	12
36	33	11

82. The effects of the revisions to the assumptions on rent rebates have not been separately calculated. But the combined effects of all the revisions to the assumptions on rents foregone are as follows:—

EP.V.  
20 year appraisal 50 year appraisal

Case I: lowest figure increased by	1456	5208
highest figure increased by	1969	9409
Case II: lowest figure increased by	1185	3353
highest figure increased by	1677	6820
Case III: lowest figure increased by	2166	7892
highest figure increased by	1969	9409
Case IV: lowest figure increased by	1617	4371
highest figure increased by	1677	6820

*Tax Relief and Option Mortgage Subsidy Paid on Annuities Raised on the Security of their Home by Retired Owner-Occupiers*

83. An amendment by the House of Lords to the Housing Bill has the result that under S.115 of the Act, option mortgage subsidy will be payable to owners aged over 65 who purchase

an annuity by raising a second mortgage on the security of their property. When an effectively identical amendment was moved to the Social Security Bill in the House of Lords on 6th May 1980, Baroness Young, for the Government, said (*Official Report*, col. 1632): "We estimate that the current cost would be of the order of £10 million a year, but of course if the take-up were greater – as the noble Baroness, Lady Vickers, suggested it might be – then the cost would be considerably higher than that". Lady Young added (col. 1637): "The difficulty is that it is an open-ended commitment; it is another open-ended commitment that the House is looking at. The Government's estimate is based on an assumption that perhaps 10 per cent of the people eligible might take it up. This is where we think that it would be a minimum of £10 million."

84. Under the Finance Act 1974, Sch. 1, para. 24, tax relief is already allowable in respect of the mortgage interest on such annuities, and John English, in an article in *New Society*, 28th September 1978, estimated the cost of both types of relief, "if just one in ten elderly owner occupiers, say 200,000, took advantage of home income plans – and the average loan was, say, £10,000" at £40m. a year, equal to about £55m. a year at 1980/81 prices.

85. By combining General Household Survey estimates of the age of owner-occupier household heads with *Housing and Construction Statistics* estimates of the stock of owner-occupied dwellings, it is possible to produce an estimate of owners eligible for the annuity concession as about 1.338m. in 1978. Allowing for the fact that some tenant purchasers would have incomes after retirement above the tax threshold, it would seem reasonable to estimate the average cost of the concessions per household as £15 a year. (An estimate of £7 a year, obtained by dividing the option mortgage subsidy cost alone (10m.) by the total of retired owners, would be clearly too low; an estimate of £41 a year, obtained by dividing the total of tax relief and option mortgage subsidy combined (55m.) by the total of retired owners, might be too high.)

86. If we take the average age of tenant purchasers as 44 (following Niner's data), then the concession would on average become payable after 21 years. In the 50-year appraisal, an estimate of the present value of the cost can be made by assuming payment of the average amount for a 20-year period commencing in year 21 (cf. para. 33 of the DoE Appraisal). In arriving at the present values, allowance needs to be made for the anticipated real increase in house values, as given in para. 6) of the DoE Appraisal. Discount rates used are thus  $\frac{1}{2}$  per cent and  $\frac{1}{3}$  per cent.

Present values are then:

	£P. V.
Case I	281
Case II	203
Case III	281
Case IV	203

In the 20 year case, a proportion of purchasers would become eligible for the concession within the period. Using Niner's age distribution for tenant purchasers, and assuming full possession of the equity after 12 years, this is estimated as 5.7 per cent eligible in years 13 to 20, and 35.9 per cent eligible from years 15 to 20. The present value of the cost is then:

	£P. V.
Case I	38
Case II	30
Case III	38
Case IV	30

#### *Management and Maintenance Savings*

87. The C. & A.G. points out (para. 26(b)) that "although the Appraisal explains why savings in upkeep and management are unlikely to be fully pro rata to the number of houses sold, or to occur immediately, the assessments allow for such immediate pro rata savings at one end of the range of assumptions". He goes on to imply that the upper of the DoE's three variants (Appraisal, para. 42) should be omitted.



[Continued]

88. In a supplementary written question to the DoE, the Committee asked whether, in the light of the evidence given to the Committee, the Department would accept that the upper variant was too high, and that the lower variant might be too high also. The Department's reply was that it knew of no evidence on the subject, "as distinct from assumptions and expressions of opinion", and further that "ranges were given only to show the sensitivity of the outcome to alternative assumptions; and no opinions were ventured about the comparative probability of the various alternative assumptions". This latter comment implies that the DoE does not wish to claim that its assumptions have any bearing on the likely outcome.

89. The evidence submitted by local authorities, as well as other evidence presented to the Committee (by NCC, ICMA, HCT, the Institute of Housing, Nottingham Alternative Publications and CIPFA) show that informed opinion is almost unanimous in thinking that pro rata savings will not be achieved. It may also be taken to imply that the DoE's "low" variant, which implies a half saving of general management expenditure and a three-quarters saving of maintenance spending after five years, may not be low enough as a lower bound. Members will recall that the Committee's *First Report 1979-80* expressed the view, in relation to public expenditure forecasts (para. 20), that an assumption of pro rata management and maintenance savings was "optimistic".

90. It is suggested therefore that DoE's upper variant should be deleted. This still leaves the second variant, which implies full pro rata savings to be achieved gradually within five years, and is on the evidence probably too high also.

91. The effect of this alteration is to suggest deductions from the high end of the ranges as follows:

	20 years	30 years	EP.V.
I	510	810	
II	495	744	
III	510	810	
IV	495	744	

#### *Selling Costs*

92. The DoE Appraisal assumes that the  $\frac{1}{2}$  per cent which authorities will add to their pool rate in fixing the interest rate to be charged to tenant purchasers (Housing Act 1980, S.110(6)) will be sufficient to cover the additional administrative costs resulting from sales. This ignores the minority of purchasers who use entirely private finance. But it was in any case challenged by CIPFA. They said that they did not wish to "signify agreement that the  $\frac{1}{2}$  per cent addition . . . is adequate." In oral evidence, Mr. Bucknall said (HC 535-v, Q.511) "What is fairly certain is that a  $\frac{1}{2}$  per cent seems to be too low. We recommend it should be higher." Mr. Webster then added, "From our findings I think we think that for the majority of authorities something between  $\frac{1}{2}$  per cent and 1 per cent is the sort of range one is talking about." Answers to Q.512-16 and Q.552-3 added some detail as to the sort of costs involved. CIPFA's written evidence (HC 535-v, p.157, para 3.12) suggested: "The Institute believes that the right to buy proposals will entail a new series of administrative procedures which could have significant manpower implications - at least in the short term." The Housing Centre Trust made a similar comment: "We suggest that the administrative effects will be considerably greater than is allowed for in paragraphs 36 and 37 of the Explanatory and Financial Memorandum of the Housing Bill".

93. Very substantial selling costs were reported by authorities giving oral evidence. Wandsworth reported total selling costs of £1.48 m. between 1978/79 and 1981/82, when 1,306 properties were expected to be sold - a cost of £1133 per dwelling sold. The GLC (Supplementary written evidence 1st August, Qu.2) reported sales campaign costs alone of £174,695, with total sales to 31st March 1980 of 9,241: this comes to £19 per dwelling. On staff and administrative costs (ibid, Qu.7) they say "the estimated cost of selling to sitting tenants is estimated to be about £300", although the data given in the same reply actually suggest an average cost of about £1100 per sale, including all types of sale. Birmingham (HC 535-x, Q.938) referred to the "extra administrative staff to carry out the sales". Only South Lakeland (HC 535-iii, Q.270) said that there would be no permanent addition to staff to deal with sales.

94. In reply to Qu.A(ii) of the local authority questionnaire, Peterborough City Council said that extra staff would be needed to carry out sales; Wolverhampton expected "substantial" employment of staff in the short-term to deal with sales and applications; Middlesbrough said "councils may well have to take on temporary staff and increase their use of agencies"; Knowsley were concerned about the cost of abortive enquiries and valuations (of which the costs cannot be recouped). The Law Society express concern about the difficulty of proving qualifying periods of secure tenancy for the purpose of establishing entitlement to discount, when these periods may be of any length and be spread over an indefinite term. The DoE confirm (Circular letter of 22 September 1980, para 30) that "it will sometimes be necessary (for the selling authority) to consult other landlords." Making and answering such queries will cost money.

95. All of this evidence suggests that it would be sensible to follow CIPFA's suggestion and add an extra  $\frac{1}{2}$  per cent of the mortgage amount to allow for sales costs. On the average sale price of £8,400, with an average 70 per cent financed by S. 104 advances, an average repayment period of, say, 18 years (as suggested by evidence given to the Committee) and an actual average duration of 12 years, the present value of this sum would be approximately £226 in Case I, and a similar amount in the other three cases. However, since these costs are incurred at the time of sale, and do not vary with the interest rate, there is no reason to assume a different figure according to the economic assumptions chosen. A round figure of £200 in all cases is therefore suggested as the best estimate.

#### *The Cost of Separate Rate Collection*

96. Three local authorities pointed out that where dwellings are sold, separate billing and arrears recovery procedures become necessary for rates. In the case of HRA dwellings, rates are collected with the rent. This extra cost would not be completely negligible. CIPFA's *Rate Collection Statistics, 1978/79* gives (p.7) the average collection cost in England as £4.21. Adjusted for inflation (using the RPI) to 1980/81, this becomes £5.63. The present value of the additional cost of collection, assuming no changes in productivity or relative labour costs, would be as follows:

	20 years	50 years	£P.V.
Case I	102	221	
Case II	84	145	
Case III	102	221	
Case IV	84	145	

#### *Expenditure on Renovation Avoided by Selling*

97. This was one of the points of which the C. & A.G. said (para. 27) "an assumption which underlay the largest gain in a range seemed relatively improbable". On the assumption itself, the C. & A.G. commented (para. 27(c)):

"The Appraisal uses as an extreme assumption a situation where the average amount spent per house rises by nearly 60 per cent in real terms from £3,500 currently to £5,500; and the expected time before renovation for a typical house falls from 45 years to 15 years. This would represent a major change in policy on improvements with levels of expenditure far in excess of any experienced so far, eg. the reduction in time would imply that total expenditure on renovation of public sector houses will triple immediately."

98. CIPFA also criticised the DoE assumption. In written evidence they said "Whilst agreeing that expenditure on renovation avoided by selling should be brought into the appraisals, the Institute has doubts on the validity of the '15 year hence' period shown as one of the alternatives in paragraph 47". In reply to a question on this, CIPFA replied (HC 535-v, Q.554) "If we look at a building which is being sold now . . . I think we have to look 25 years on from that as being the period when we would say the next modernisation was due - say 25 to 30 years. I think 15 is rather short in relation to what is actually happening around the country just now." Asked about the implications of the Public Expenditure reductions, Mr. Bucknall said "We did not know about this when we did our evidence, but this does make it - 15 years - a very short period. I think, 30 years must be a much more realistic figure" (Regeneration Unit

*[Continued]*

99. Shelter argue that the cost of modernisation should be excluded altogether, on the grounds that "this is a decision which the local authority does not have to make if it does not sell - it can decide not to modernise." This view has been discussed in para. 14 above and, for working purposes, rejection was suggested.

100. Two comments by DoE are relevant. In the Appraisal itself (para. 47), DoE make it clear that the period before improvement, given a continuation of the 1969 to 1978 average rate, would be between 40 and 50 years. The choice of the shorter periods of 15 and 30 years is argued for on the grounds of the shift to improvement in local authorities' HIPs. Yet analysis of the Public Expenditure White Paper figures for local authority and new town improvement shows that the "shift to improvement" had not succeeded, even before the 1980 round of expenditure cuts, in raising improvement spending to the 1973/74 level (see attached graph). The 1969 to 1978 period includes a period of heavy spending (from 1972/73 to 1974/75), and the average annual expenditure was approximately £4309m. The forecast produced for the Committee's *First Report 1979-80* (HC 714, Memorandum 1, Table 5), assuming 100,000 sales per year and a 16 per cent real increase in rents, would indicate an average annual expenditure level over the nine-year period 1975/76 to 1983/84 of £4870m. Even without allowing for any increase in unit costs, this would suggest an increase in the annual rate of improvements of only 13 per cent, from 50,000 a year to 56,500 a year. This gives no ground for a reduction in the average period before improvement of as much as one-third, as is implied in the DoE's 30 year assumption.

101. The other point made by DoE was in reply to the Committee's written question 35 (HC 535-xi, p. 330), which asked whether there was any evidence that local authorities' increased renovation expenditure had been devoted to houses which were likely to be sold. Their reply was that "it is not possible to estimate what types of property will be sold". Yet there does appear to be evidence that the better houses in better areas are more likely to be sold. Renovation of these is inexpensive by comparison with that, for instance, of pre-war blocks of flats. This does cast doubt on the plausibility of the assumed increase in the real cost of renovation, to which the C. & A.G. drew attention (quotation above, para. 97), and even on the use of the present average cost as a lower bound. Nevertheless, it is suggested that these assumptions should remain unaltered.

# THE "SHIFT TO IMPROVEMENT": INVESTMENT BY LOCAL AUTHORITIES, NEW TOWNS AND THE SSHA



Sources: Public Expenditure White Papers (annual), Environment Committee First Report 1979-80 (HC 714).

Note: For the years 1981/82 to 1983/84, the lower line in each case shows the effect of assuming 100,000 sales per year and a 16 per cent real rent increase, and the upper line the effect of 200,000 sales and a 30 per cent real rent increase. Both assume the "shift to improvement" shown in local authorities' 1979 HLP returns. Figures rounded up to GB.

(Continued)

103. A sensible procedure therefore appears to be to follow the C. & A.C.'s suggestion by deleting the DoE's higher assumption, and to add a new lower assumption that improvement does not occur until after 40 years.

105. As noted in para. 29 and 32 above, the present value of the cost of renovations must be calculated by assuming an annual rate of improvement such as to result in an average time before improvement of the required length, and by computing the present value of the resulting streams of loan charges. The rates of improvement are 1% and 1½ per cent per year. The increase in standards of 57 per cent in year 30, assumed as one alternative by DoE, is incorporated by assuming an annual increase of 3½ per cent in real costs throughout the 30 year period (resulting in a 111 per cent increase in standards by year 30). This results in costs which are probably on the high side. Funding is assumed to be over 30 years, at the rate of interest assumed by DoE.

104. The effects on the present values of renovation costs avoided are as follows:

		20 years	JP. V. 50 years
Case I:	lower bound increased (+) or reduced (—) by	+ 498	—1395
	higher bound increased or reduced by	—4426	—2111
Case II:	lower bound increased or reduced by	+ 441	—709
	higher bound increased or reduced by	—3431	—1901
Case III:	lower bound increased or reduced by	+ 536	—1345
	higher bound increased or reduced by	—4315	—1988
Case IV:	lower bound increased or reduced by	+ 487	—683
	higher bound increased or reduced by	—3359	—1839

*The Public Sector Cost of Improvement by Purchasers: Tax Relief and Grants*

106. The C. & A.C. comments (para. 1365D): "The Appraisal allows for savings (at £3,500 or £5,500) on future renovations in the public sector as a result of sales. But it takes no account of the possibility that when houses sold into the private sector are improved by the owners, the work may be financed with the aid of loans attracting tax relief".

106. The DoE commented on this point in their further written evidence dated 19th August. They say that "loan finance does not seem to be the 'representative' method of finance for owner occupiers' improvements generally, and was therefore not included." It has already been noted above (para. 13) that the use of the term "representative" is not appropriate in an appraisal which seeks to establish the average actual effect of sales. However, the DoE in the same paragraph provide useful information. They say that "in 1976 building societies made 179,000 advances on properties already mortgaged to them; these 'further' advances are understood to be mainly for the purpose of financing improvement work", and that "local authority loans for improvement and repair work ... were 16,660 in 1976 to all private owners".

107. Starting from these figures, it is possible to make an approximate estimate of the cost of tax relief. In 1976 there were 9.48m. owner occupied dwellings in England (source: Housing and Construction Statistics). The figures quoted by the DoE imply an average of about 200,000 improvement loans per year, so that 2.1 per cent of owner occupiers take out an improvement loan each year. The average size of such a loan is thought to be of the order of £2,000. Loans of this kind are added to existing mortgages and therefore have a repayment term and repayment profile identical to that of the main mortgage. If we assume that the further advance is on average made halfway through the average 6-year life of a mortgage (Appraisal, para. 62), with an average mortgage term of 20 years, and with the same assumptions on increases in repair costs as those used by DoE, then the present value of standard-rate tax relief is as follows:

	20 years	50 years	JP. V.
Case I	23	60	
Case II	27	58	
Case III	43	116	
Case IV	43	95	

Allowance also needs to be made for the possibility of a rise in standards, as in the case of local

authority improvements. This is done in exactly the same way as before.

108. The C. & A.G. did not mention the possibility of improvement grants as well as an relief being given to tenant purchasers or their successors. In their further written evidence dated 19th August, however, DoE concede that grants may be paid, while suggesting that "grant-aided work is a small fraction of the total" of work done by owners. Shelter (CH 141, p. 26) also suggest that grants will be paid. In reply to the local authority questionnaire, eight authorities expected an increased demand for improvement grants, which also suggests that these should be considered. The evidence on the effect of sales on the need for area improvement spending or the cost of redevelopment was unclear, however, and these types of expenditure should probably be ignored.

109. The DoE's point that "grant-aided work is a small fraction of the total" does not seem an adequate reason for omitting this item from the Appraisal. It is necessary to be conscious about the inclusion or exclusion of small items, and DoE have, for instance, included a deduction of 1 per cent of rent income for voids, which has a value between £100 and £200 over 30 years. It is in any case sound practice to establish the actual size of any item, at least approximately, before assuming that it will be negligible, and, as the C. & A.G. commented (para. 23) on certain of his own points, it may be that where there are several small items, "in total, their effect would not be insignificant".

110. In 1979 the average improvement grant (excluding conversion, intermediate, special and repairs grants) paid in England and Wales was £1439 (*Housing and Construction Statistics* No. 32, Table 2.14(b)), and the total of such grants paid to all owners was 60,128. A Parliamentary Written Answer on 2nd May 1978 showed that of grants to private owners in 1977, 78 per cent by number and 73 per cent by value went to owner occupiers rather than landlords. It may therefore be assumed (given that there were 10 469n. owner-occupied dwellings in England in December 1978) that about 0.4 per cent of owners received a grant in that year. Allowing for a 17 per cent increase in costs between 1979 and 1980/81 would suggest an average grant of £1843. At this rate, £7 per year would be paid out in grants to tenant purchasers, and after discounting and allowing for the same increase in building costs as before, this would lead to the following estimates of the present value of grants paid:

	20 years	30 years	CP.V.
Case I	73	159	
Case II	71	196	
Case III	84	267	
Case IV	78	200	

A further set of figures is also computed to represent an increase in standards corresponding to that assumed for local authority improvements; these are shown in Table I below.

111. No allowance is made for improvement grants paid to tenants under S 81 of the Housing Act 1960, on the grounds that these will largely replace improvements otherwise made by the local authority and will in any case have to be funded from within the same HIF allocation as local authority improvements.

#### Value of Site

112. CIPFA argue (HC 535-a, p. 155, para. 1 10.2) that the Appraisal should include the value of the site at the end of the useful life of the house. The C. & A.G. (para. 39) also imply that this should be included, while noting that "the present value . . . of the site would be relatively small when discounted over so long a period." The non-inclusion of site value was raised with the DoE by the Committee (HC 535-a, p. 321, Qu. 37, and letter dated 6th July). The DoE's position is that the expected life of the house is longer than 30 years, and that therefore no payment would arise in respect of the site during the appraisal period. If, as is suggested above (para. 23) the appraisal is focused on revenue flows within the 20-year or 30-year period, then this argument must be accepted. However, it should be borne in mind that in a whole life appraisal (see para. 22 above), the question of site value would still arise. It may be useful to consider what this would be.

113. The DoE note that the value of sites and the costs of clearance as far ahead as 70 to 75 years are difficult to estimate. They would clearly be less difficult to estimate 30 years ahead, but

the DoE also ignore the Committee's point that the effect of simple exclusion is to quantify the present value as zero. Such an assumption would clearly be bizarre. Moreover, it is worth noting that the DoE have recently taken a different view on the feasibility of estimating the value 50 years ahead. In Chapter IV, Appendix G, of the *Housing Policy Technical Volume*, Part I (Cmd. 8431, 1977) which reports a very similar exercise, there appears the following comment (para. 13):

"At the end of the useful life of a house, the site is left. How much the site would be worth is very uncertain; but a reasonable assumption would be that it would be worth its starting value in real terms, less the cost of clearing it (£2000 less £500, say)".

114. An estimate for the present purpose could reasonably be produced by taking the average of this DoE estimate and of the base-year site value of £500 proposed by CIPFA, i.e. £1000. Even allowing for no real increase in land values (and in fact a real increase would seem almost certain) this would produce a present value of the value in year 50 of £608 in Cases I and II, and £228 in Cases III and IV.

115. Two local authorities draw attention to the loss of redevelopment opportunities resulting from sale. E. Hampshire noted the case of a current proposal to demolish five of its dwellings and build 24 on the site thus obtained, and commented: "in such a case the value of the site is much higher than the site value compared in the market value of the individual houses". Indeed, E. Hampshire went on to criticise CIPFA for ignoring this point in their Statement on council house sales. Although it would be difficult to arrive at a figure to allow for this point, it ought probably to be borne in mind as it would have an adverse revenue effect within the appraisal period.

#### Replacement

116. The DoE Appraisal makes no provision for the cost of replacement of dwellings sold. The C. & A. G. (para. 230(i)) accepted the argument of the Annex to the Appraisal that if the past age structure of purchasers were to hold in the future, few relets would be lost until about thirty years had elapsed. He merely said "my staff questioned whether it was not likely that in future a proportion of tenants who would otherwise move away to buy), including those in younger age groups, would take advantage of the new opportunities to buy the council houses which they were renting". To the extent that this occurred, the loss of relets would of course be immediate.

117. CIPFA said (HC 535-v, p. 155, para. 2.10.3) "the Institute believes that the right to buy could lead to a considerable increase in the scale of sales which, notwithstanding the arguments advanced in the appraisal, will mean some replacements are necessary if authorities' responsibilities are to be discharged." In oral evidence (HC 535-v, Q.536) Mr. Bucknall commented, "It is commonly said that when houses are purchased the tenants will stay in for the rest of their lives, that you will not have lost the legacy of the house. But, in fact, you must lose a certain number over a particular period." In written evidence, CIPFA also say (HC 535-v, p. 156, para. 3.3) "there is an ever-increasing demand for properties for the elderly and the enforced sale of those dwellings not conforming to the narrow definitions in the Housing Bill will lead to a need for earlier replacement than would be the case for general needs dwellings." In oral evidence, Mr. Webster commented "Now, one sure thing, I think, is that the elderly population is increasing, both in absolute and in relative terms. If one found oneself selling off significant numbers of these types of property then one is going to have I think a very clear need for replacement." These comments were made before the Lords amended Schedule 1 of the Housing Act 1980, but remain relevant.

118. The RICS, while arguing that the loss of relets is sometimes exaggerated state "only three new houses need to be built each year per hundred sold to keep up the stock available for letting."

119. The Committee asked local authorities, in Q.4(vi) of the local authority questionnaire, to estimate the need for replacement of dwellings sold. Thirty-one said or implied that full replacement would be necessary; two said that full replacement would probably be necessary, one that it would possibly be necessary, two that part replacement would be necessary, and two that their waiting lists were increasing. A further eight said that replacement of elderly persons or other selected types of dwelling would be needed (and apart

from these, Alderley (HC 535-46, Q.329-30) and Birmingham (HC 535-a, Q.349-50) also commented in oral evidence on the shortage of accommodation for the elderly). Fifteen authorities (including ten of those already mentioned) stated that shortages of land or finance would make necessary replacements difficult to carry out. Five said that replacements would not be needed, and one that policy was not to replace, while sixteen said it was too early to estimate replacement need. One authority assumed that the loss of rents would be minimal, and therefore that the question of replacement would not arise. The balance of opinion was therefore that provision for replacement must be made.

120. Among other local authority respondents, Carmarthenshire County Council said that replacement would be needed but was unlikely to occur because of spending cuts; the Laid District Special Planning Board said "There will be a need to replace virtually every local authority house sold if present demand is any guide but this will be impossible because of (a) shortage of suitable sites, (b) high costs, (c) the fact that communitarian replacement programmes will be discouraged by the obligation to sell if the tenant wishes." The ADC commented "Many authorities consider that they should at least make good the loss of rents resulting from council house sales . . . In particular elderly persons' accommodation would need to be replaced because it is in short supply . . . However, local circumstances differ widely and there will be some authorities who may not generally need to replace sold houses and some who have no building land although replacement would be desirable."

121. Shelter argue that "the possible replacement cost" should be included in the Appraisal if renovation costs are included.

122. It should perhaps also be noted - although this point has not been made anywhere in the evidence given to the Committee - that to make no allowance for replacement of dwellings sold implies that the right of local authorities in National Parks, areas of outstanding natural beauty, or designated rural areas, to repurchased dwellings, provided by S.19 of the Housing Act 1980, will never be exercised and is nugatory. This would seem to be an extreme view.

123. The DoH's initial reaction (written evidence, 19th August) to the views on replacement expressed by CIPFA and the C. & A.G. was to agree that the Appraisal referred to the "representative instance". The inapplicability of this concept in the sense of the "model case" has already been pointed out above (para. 13). The DoH went on to acknowledge "that in some instances the effect on re-rents would be earlier than in the representative instance."

124. However, the DoH's admission, in its note of 17th September, that its own estimates suggest a loss of about 19,000 re-rents per 300,000 sales in the first ten years, or 57,000 in the first thirty years, completely changes the position\*. Its argument, in paras. 30 to 31 of the Appraisal, that no allowance should be made for replacement, was entirely based on the now discarded view that "30-40 years would typically elapse before there is an effect on the number of houses vacant and available for letting to new tenants." But clearly the question of replacement does arise in the 57 per cent† of cases in which a re-rent is lost before year 30.

125. In fact, evidence given to the Committee casts doubt even on the DoH's suggestion that replacement would not be necessary in the case of losses occurring after thirty years. The DoH based its view on the argument that "in England there are already 30 per cent of all households resting from public land, a higher proportion than in any other Western European country . . . Whether this will still need to be so in thirty years or is very doubtful."

126. Shelter drew the Committee's attention to experience in the Irish Republic, where "the programme (of sales to tenants at 50% discounts) has been coupled with a massive expansion of public sector building in the early 1970s". An article by Steve Schifferes, "Housing Rents in Ireland", *Today*, November 1978 notes that the percentage of owner-occupation in the Republic increased from "60 per cent in 1964 to an estimated 73 per cent in 1977." UN Statistics give public housebuilding in the Republic as follows:

\* These figures now require upward revision, from 19,000 to 22,000 and from 57,000 to 66,000 (see note to para. 71 above).  
† From 56 per cent.



[Continued]

1969	9087
1970	4546
1975	8796
1978	7272
1977	6321
1978	6871
1979	6234

In other words, an increase in the proportion of owner occupation on the scale widely thought to be the maximum possible in the remainder of this century in Britain has not been accompanied by the cessation of public housebuilding. There is in fact no reason why a change in the proportionate size of a given tenure should have any necessary implications at all for its absolute size: the DoE appear to be confused on this point. The latest forecasts (*Housing and Construction Statistics*, No. 28) suggest a continuing growth in the number of households in England and Wales, with an increase of 7 to 8 per cent in the decade 1981 to 1991; so that the owner occupied sector could increase its share of the total by roughly 3 per cent without any fall in the absolute size of the council sector, even in the unlikely event that there were no further relative or absolute decline in the private rental sector. Moreover, the comparison with other European countries is potentially misleading: most have larger private rental sectors than Britain, some of which are more viable, and there is as yet no reliable indication of any long-term growth in private renting in Britain. Finally, obsolescence among council dwellings may (and probably will) create a replacement need independent of any change in the absolute or proportional size of the tenure.

127. It may be noted that even though the DoE's new estimate of the rate of loss of relets leaves the average date of loss at around 26 years\* after sale, this does not mean that relets lost before this date can be ignored. It was never correct for DoE to use the average (or "typical") date of loss in assessing the need for replacement.

128. Given that relets will be lost immediately and continuously, what proportion should be assumed to require replacement?

129. The local authority views already quoted suggest that a high proportion of lost relets will require replacement. It should be noted that even where authorities have said that only certain types of dwelling will need replacement, this does not necessarily imply that less than full allowance should be made. What is implied in this type of comment is that the local authority requires to change the nature of its portfolio of dwellings, without necessarily reducing its size. In such a case, in the normal course of events a commercial sale of the dwelling concerned could occur, together with the purchase in exchange of a more suitable dwelling probably at very similar cost. Sale at concessionary terms to a sitting tenant removes this option.

130. The various local authority comments to the effect that replacement may be impeded by shortages of land and finance should also be treated with reserve in the present context. Financial constraints will not necessarily continue indefinitely: economic and political circumstances may change. Where land constraints apply, it may simply be that replacement will occur in a less suitable location.

131. It may seem, subject to these points, that as long as the flow of aggregate local authority construction or acquisition remains larger in total than the flow of lost relets, full replacement should be deemed to have occurred, on the ground that, if the relets had not been lost, a local authority housing service of identical standard could have been provided by means of a construction and acquisition programme smaller by the number of relets lost. In fact this view may need some qualification. A dwelling which is sold, when it is vacated by the tenant purchaser, becomes available to another household. At least potentially, this household might otherwise have obtained a local authority tenancy; if so, no replacement is needed. But this cannot apply in all cases. First, it does not apply where the dwelling is reacquired by the local authority or where replacement is by acquisition from the private sector. Secondly, council house sales may have the effect of depriving private new building, and to the extent that this

\*Now 23 years (see note to para. 71 above).

occur, any need for replacement is not avoided. Thirdly, the availability of the house to rent may result in the formation of a new household which would not otherwise have formed. Again, this would leave any replacement need unaffected. Finally – and this is a related point – many of the actual or potential clients of the local authority housing service are not potential clients for owner-occupied dwellings. The availability of additional dwellings in the owner-occupied sector does not reduce the need to accommodate them in council housing.

132. Hence it is argued that full replacement may well be required, the only exception being where lost rents are in areas of low housing demand, too isolated for lettings to be made available to housing applicants in areas of continuing need.

133. Nevertheless it is clear that the further forward one looks, the more difficult it is to predict the need for local authority lettings. For the reasons suggested above (para. 126) the DoE have certainly not made any sort of case for assuming that this need will decline in absolute terms. But neither would it be easy to make the opposite case, that full replacement will be required throughout the period up to the 30 year time horizon.

134. Given the real uncertainties, it is suggested that the cost of replacement should be allowed for in the following manner. In the 30-year case, alternatives are taken of 90 per cent replacement (i.e. full replacement less a small allowance for losses in areas of low housing demand) and 40 per cent replacement. In the 50-year case, alternatives are taken which assume either 90 per cent replacement throughout the period, or 40 per cent replacement for the first 30 years and nil replacement thereafter. The rate of loss of rents is taken to be 1.5 per cent per year, in line with the ten-year estimate given by the DoE in their paper of 29th September.\*

135. On the cost of replacement, CIPFA (CH 535-v, p. 155, para. 2.10.3 and 1.7) said "such replacements will inevitably cost more than the houses sold". The Cumbria Branch of the ADC said "the cost of new, that is replacement, building in small numbers in the villages is always disproportionately greater than elsewhere". Among respondents to the local authority questionnaire (Qu. A4)(b), Cusdon commented "The District Valuer has given an indication that the value of an existing average three bedroomed Council house will be £19,000, ie for discount. The estimated cost of replacement is £20,000". Walsden pointed to "one adverse effect . . . if many older/cheaper houses are sold and replaced by expensive, higher standard dwellings". East Hampshire said that "replacement will be . . . at very considerable increase in cost where possible", and, as has been noted above (para. 135) commented, like Norwich, on the loss of redevelopment opportunities and the implications of this for the costs of local authority building. Walsden, Cleithorpe and Peterborough also said (Qu. A4)(d) that replacement would be at increased cost. Welwyn, Hatfield and Norwich mention the increased cost of reacquisition where redevelopment occurs in future. On the other hand, Aldenham adds supplementary written evidence (15th May) that "in rural and especially National Park areas, the market value will be considerably in excess of the new build costs" – i.e. suggesting that replacement would be cheaper than replacement.

136. The DoE has provided an estimate to the AMA of the average total cost of provision of a local authority dwelling in England and Wales in 1979, including building, site development, fees and land, of £17,800. Allowing for inflation (RPI), this figure in 1980/81 would have risen to £22,116. In order to reflect the fact that a proportion of replacements will be by reacquisition, or acquisition, rather than by new building, it is suggested that the cost of a replacement should be taken to be £18,000 – i.e. approximately half-way between the average market value of dwellings sold and current new building cost.

137. The total cost of building and land is assumed to rise at the same rate as house prices, as projected by DoE in para. 61 of the Appendix. Payment is assumed to be made on an annuity basis over 60 years, at the rates of interest assumed by DoE.

138. A complication is that a proportion of the replacement dwellings will, under the provisions of the Housing Act, themselves be sold and require replacement. Although building replacement dwellings, selling them at a 40 per cent discount, and replacing them at full cost is an expensive procedure in the individual cases where it occurs, the proportion is small enough to be ignored in the present context. (If the rate of sale is 100,000 per year there is a 2 per cent

\*See note to para. 71 above.

[Continued]

chance of a replacement dwelling being sold each year; the second-order replacement is then at most 34 per cent of 2 per cent.)

139. The present value of the cost of replacement is thus estimated as follows:

	30 years		50 years		JP, V.
	45 per cent	90 per cent	45 per cent	90 per cent	
Case I	1104	2208	2661	5321	
Case II	1213	2421	2495	4985	
Case III	1610	3221	2938	5875	11452
Case IV	1593	3186	2878	5751	9771

#### Tax Relief

40. Mr. Bernard Kilroy commented (HC 335-v, p. 133, para. 31) that "if building societies' mortgages became dearer as a result of efforts to attract additional funds . . . this would increase the revenue foregone in mortgage tax relief by the Exchequer". However, for the reasons discussed in paras. 35-36 above, with BSA real rates rarely in the past anywhere near 7 per cent (the DoE's higher assumption), it does not seem that the possibility mentioned by Mr. Kilroy gives any ground for altering the DoE's assumptions.

141. The DoE Appendix made two alternative assumptions as to the date of resale of the house: that first resale takes place after ten years and after forty years (the earlier the resale, the greater the cost of tax relief).

142. Evidence from builders and building societies suggests that the lower of the DoE's two assumptions on date of resale is clearly too low. The House-Builders Federation commented (HC 335-vII, p. 229, para. 4.3): "The prevailing view of the house-builders is that . . . the sale of council houses will . . . provide a large market for house-builders to build for council house purchasers wishing to 'trade-up' at some point in the fourteen years' time". In reply to Qn. 721, Mr. Baron said "A lot of people who buy their council house would have stayed there. . . . Having got on to the home ownership ladder they will see attraction - or, rather, more attraction - in moving. They will be more able to move. I would think at the end of the day they will be just like other owner-occupiers". Mr. Hamber added, "I think the extent to which this will or will not happen will depend on whether different groups come in to buying their council houses. . . . If the effect of the Government promoting council house sales is that you bring in new and different groups who are more characteristic of owner-occupiers across the board you may see a different rate of move altogether". The National House-Building Council say "The available evidence suggests that the typical selling tenant purchaser will be aged between about 35 and 50. The vast majority of such purchasers selling their house within the next 18-20 years will be moving to alternative accommodation in the owner-occupied sector" (emphasis added). The BSA (HC 335-vI, p. 175, Qn. 440) did not give any substantive reply to the Committee's question on this point, but the Nationwide Building Society say "The DoE estimate that the demand for mortgage finance on resale is likely to arise on average only after 30 years". (Note: This is not correct.) "This seems too long; an average of 20 years seems more likely, when allowance is made for an increasing proportion of younger purchasers".

143. Mr. Bernard Kilroy said (HC 335-v, Q. 496) that "The doubt on is going to change very radically . . . there is more likelihood that younger people will buy (and, what is more, they will move more often) and therefore . . . the DoE's assumptions are really very much on the conservative side". Shelter said "We regard the low variant of the DoE calculation on tax relief - that the house is only sold once more in the fifty year period - as unrealistic as mobility is likely if anything to increase in the future". They cite "the only available figures" by Forrest and Mann (*Social Segregation, Housing Need and the Sale of Council Houses*, CURS, 1976), based on data from Birmingham, which show (p. 47) the rate of prime resale after the end of the prescription period averaging 4.7 per cent per year, i.e. resale occurring on average every 21.4 years. Adding the 5-year prescription period to this figure yields an estimate of 26.4 years as the average time before resale. But it should be noted that an estimate based on resales by 1975 of properties sold between 1966 and 1968 is not very reliable, even if the sample size was quite large (3429). Shelter go on to propose deletion of the DoE's lower variant for the present value of tax relief.

144. Since the DoE's two assumptions (first sale after 10 years and after 40 years) are

designed to provide a range, it does not seem appropriate to follow Stiller's suggestion and substitute a single "most probable" figure. But in the light of the various estimates given to the Committee, it does seem sensible to change the lower assumption on tax relief so that the house, instead of being sold for the first time after 40 years, is sold after 30 years, and then owned on mortgage for 12 years and outright for 8 years. The initial mortgage is assumed to be for 18 years, although as noted above (para. 50), this may be too short. These revisions have the following effects on the lower end of the Doll's range of results for the cost of tax relief (Assumption A, Table 13 of the Appraisal):—

	20 year appraisal	50 year appraisal	EP.V.
Case I	—251	—146	
Case II	—272	—164	
Case III	—272	—185	
Case IV	—257	—111	

The joint effect of the changes is to lower the cost of tax relief and therefore to reduce the loss due to sale. The effect of shortening the initial mortgage repayment period has outweighed the effect of assuming earlier resale.

### G. Results of the Modified Appraisal

145. The various modifications suggested in section F on the basis of the evidence given to the Committee are brought together in Table 1. The results of the appraisal are now very different from those produced by the Doll.

146. The limitations of the twenty-year appraisal have been commented upon in section D above, and it is difficult to see how it can be considered as in any way superior to the fifty-year appraisal. It does illustrate the well understood fact that the shorter the period one looks ahead the more financially attractive council house sales will appear. Nevertheless, it is interesting to note that in about half the twenty-one cases losses are shown throughout the range if the first-year price freeze is disregarded, and in seven cases if its effect is included. The ranges have been chosen with the intention that extremes should be equally probable; in twenty out of the twenty-one cases the most probable outcome is a loss, if the price freeze is disregarded, and in every case if it is included. The most probable rate of increase of rents is one about the middle of the range chosen, say the "1959-79" rate. The average loss across the four sets of economic assumptions implied by this rate of increase in rents is £1379.

147. The fifty-year appraisal comes much closer to the results of a whole-life assessment, and is to be preferred. Here the results are very clear-cut. Every case examined shows a loss. The most probable loss, defined in the same way as in the previous paragraph, and excluding the effect of the price freeze, is £12,525, and the overall range is from £658 to £27,938.

148. If a whole-life assessment were taken, the results would undoubtedly show even greater losses. The effect of assuming a "realistic path" for the economic variables, as discussed in paras. 39 and 40 above, would also be to show greater losses, although the size of the effect would not be the same as for the original Doll assessment, and it has not been separately calculated here.\*

149. It can therefore be concluded that the sale of council houses on the terms provided by the Housing Act 1980 is overwhelmingly likely to result in long-term financial losses to the public sector, probably in excess of £12,500 per dwelling sold. If the total number of dwellings sold under the Act to the end of 1983/84 were to be, say 350,000, then the total loss due to these sales, on the figures shown here, would be between about £350m. and £9000m., with a most probable loss of about £4775m. With a larger volume of sales—say at the rate of 200,000 a year, with a total of 650,000 sold to the end of 1983/84—the losses would be correspondingly greater: between £650m. and £10,800m., with a most probable loss of about £1125m. It must be remembered that the outer ends of the ranges do not correspond to circumstances which are at all likely to occur, involving, in particular, very large changes in the relationship between rents and earnings.

\*See also the note *op. pass.* 71 above.

Table B: Twenty Year Appraisal: Public Sector

Low Inflation

Lower Earnings Growth (Case D)  
Rise in RentsHigher Earnings Growth (Case E)  
Rise in Rents

GP, %

	Above earnings	With earnings	1950-79	1970-79	With price	1950-79	Above earnings	With earnings	1950-79	1970-79	With price
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Sale price											
- with price freeze				+ 1830						+ 1940	
- without price freeze				+ 8071						+ 8144	
Rent foregone	-9716	-8406	-8340	-8013	-7094	-7546	-8085	-7484	-7403	-6947	-6385
Tax relief paid on replacement tenures				-31						-30	
Savings in cost of upkeep & management				+ 1900/						+ 1401/	
				+ 2274						+ 2140	
Selling costs				-200						-200	
Costs of separate rate collection				-105						-94	
Reservation costs avoided				+ 441/						+ 441/	
				+ 876						+ 806	
Tax relief cost of private improvement				-21/						-21/	
				-37						-31	
Cost of improvement grants				-71/						-71/	
				-40						-79	
Cost of replacement				-1404/						-1315/	
				-2205						-2431	
Tax relief on mortgage interest				-180/						-1088/	
				-1815						-2176	
Balance (with price freeze)	-346/	+ 313/	+ 471/	+ 766/	+ 1171/	+ 1265/	-775/	+ 416/	+ 700/	+ 1243/	+ 1726/
	-3460	-2721	-2189	-1243	-6923	-1715	-5032	-2761	-2470	-1904	-1453
Balance (without price freeze)	-161/	+ 579/	+ 675/	+ 1902/	+ 1521/	+ 1469/	+ 28/	+ 420/	+ 511/	+ 947/	+ 1029/
	-2000	-2121	-2187	-2040	-1721	-1575	-2048	-2357	-2396	-1730	-1246

Table I (cont'd) Twenty Year Approach: Public Sector

	High & Stable Lower Earnings Growth (Case III) Risk in Costs					Higher Earnings Growth (Case IV) Risk in Costs				D.P.V.
	Above earnings	With earnings	1929-79	1929-79	With prices	Above earnings	With earnings	1929-79	1929-79	With prices
Sale price - with price freeze - without price freeze			+ 8000					+ 8000		
			+ 8125					+ 8125		
Recess foregone	-5176	-4696	-8140	-8013	-7694	-8283	-7694	-7403	-6457	-6183
Tax relief paid on retirement insurance			-18					-30		
Savings in cost of upkeep & management			+ 1900 <sup>1</sup>					+ 1900 <sup>1</sup>		
			+ 2774					+ 2960		
Selling costs			-200					-200		
Cost of separate rate collection			-100					-66		
Renovation costs avoided			+ 526 <sup>1</sup>					+ 487 <sup>1</sup>		
			+ 789 <sup>1</sup>					+ 733		
Tax relief cost of private improvements			-65 <sup>1</sup>					-45 <sup>1</sup>		
			-52					-31		
Cost of improvement grants			-66 <sup>1</sup>					-76 <sup>1</sup>		
			-95					-67		
Cost of replacement			-1689 <sup>1</sup>					-1385 <sup>1</sup>		
			-1121					-1181		
Tax relief on mortgage interest			-1263 <sup>1</sup>					-1420 <sup>1</sup>		
			-2963					-3112		
Balance (with price freeze)	-1162 <sup>1</sup>	-483 <sup>1</sup>	-106 <sup>1</sup>	+ 3 <sup>1</sup>	+ 126 <sup>1</sup>	-803 <sup>1</sup>	-211 <sup>1</sup>	+ 80 <sup>1</sup>	+ 416 <sup>1</sup>	+ 1096 <sup>1</sup>
	-2295	-4713	-4157	-8230	-3913	-688	-4297	-4066	-1476	-2968
Balance (without price freeze)	-936 <sup>1</sup>	-176 <sup>1</sup>	-136 <sup>1</sup>	+ 303 <sup>1</sup>	+ 526 <sup>1</sup>	-796 <sup>1</sup>	-4 <sup>1</sup>	+ 283 <sup>1</sup>	+ 813 <sup>1</sup>	+ 1766 <sup>1</sup>
	-1187	-4307	-4151	-4634	-3706	-661	-696	-5796	-3231	-2761

Table 1 (cont'd): Fifty Year Appraisal

	Public Sector Loan Repayment		Lower Earnings Growth (Case 1)				Higher Earnings Growth (Case 2)				With prices
	Lower Earnings Growth		Rate in Ratio				Rate in Ratio				
	Above earnings	With earnings	1959-79	1979-79	With prices	1961-79	Above earnings	With earnings	1979-79	1979-79	
Sale price											
- with price freeze											
- without price freeze											
Area foregone	-15217	-20705	-69658	-17858	-16238	-11513	-79443	-66209	-14934	-12115	-60707
Tax relief paid on retirement annuities				-281						-203	
Savings in cost of repairs & management				+47127						+32317	
				+4339						+4398	
Selling costs				-208						-200	
Cost of separate rate collection				-333						-143	
Reinsurance costs avoided				+162167						+122177	
				+2992						+2186	
Tax relief on of private improvement				-607						-587	
				-86						-79	
Cost of improvement grants				-2987						-1967	
				-325						-263	
Cost of replacement				-369177						-368177	
				-8546						-8275	
Tax relief on mortgage interest				-173477						-189977	
				-2981						-3294	
Balance (with price freeze)	-1316177	-879977	-179237	-566077	-433177	-119717	-1804977	-664077	-140237	-311677	-130077
	-24162	-20004	-13994	-17152	-15535	-14609	-15364	-26185	-14798	-12479	-10621
Balance (without price freeze)	-1293177	-847977	-142177	-579677	-179077	-306777	-668177	-449077	-508377	-279677	-81177
	-24162	-19621	-13994	-16802	-15535	-14439	-15034	-25813	-14498	-12099	-10221

Table 1 (cont'd) Fifty Year Appraisal: Public Sector

	High Earnings Lower Earnings Growth (Case 1V) Rate of Return					Higher Earnings Growth (Case 1V) Rate of Return				A.P.V.
	Above earnings	With earnings	1959-79	1979-79	With prices	Above earnings	With earnings	1959-79	1979-79	With prices
Sale price										
- with price freeze			+ 8050					+ 8050		
- without price freeze			+ 8400					+ 8400		
Rents foregone	-21217	-28073	-15688	-17916	-16339	-19448	-16219	-14834	-12913	-10797
Tax relief paid on retirement annuities			-263						-263	
Subsidy cost of upkeep & management			+ 47121					+ 32215		
			+ 4358					+ 4319		
Selling costs			-200					-200		
Costs of separate rate collection			-211			"		-141		
Renovation costs avoided			+ 16991					+ 12491		
			+ 3916					+ 3348		
Tax relief cost of private improvements			-1361					-811		
			-167					-131		
Cost of improvement grants			-2671					-2681		
			-374					-279		
Cost of replacement			-29261					-21279		
			-21433					-9771		
Tax relief on mortgage interest			-26811					-24241		
			-4796					-4312		
Balance (with price freeze)	-146111	-56761	-90961	-71571	-56481	-111719	-79771	-65731	-42731	-24621
	-28279	-25137	-32746	-26918	-19004	-22266	-19007	-17662	-13180	-15479
Balance (without price freeze)	-142641	-61261	-87161	-48071	-32901	-108381	-71671	-62221	-39011	-20811
	-27929	-22767	-32446	-26168	-18911	-21658	-18617	-17236	-14631	-13129



*[Continued]*

## APPENDIX 5

## House of Commons Environment Committee

## COUNCIL HOUSE SALES

*An Analysis of the Short, Medium and Long-Term Effects upon Private Housing Finance, Output and Prices**Mr James Stevenson - 20 October 1980**A. Introduction*

1. This paper considers the evidence given to the Committee on the likely effects of the Right to Buy provisions upon private housing finance, output and prices. The main evidence relating to these points was received from building societies, clearing and merchant banks and housebuilders. A summary of all this evidence is attached to this paper, organised both by theme and by organisation. The main themes of this evidence are adduced at various points below in this paper to demonstrate the arguments.

2. It should be acknowledged that the format of this paper is modelled upon that in David Webster's Memorandum "The Long-Term Financial Effect of Council House Sales on the Private sector as a Whole" and falls into the following sections. Section B outlines the potential immediate effect of the Right to Buy upon the cost and availability of housing finance. Section C suggests what is likely to be the *actual* short-term effect of the Right to Buy upon housing finance. Section D looks ahead to the significance of the *future* stream of capital repayments which would be made to local authorities by council house tenants who had purchased with a local authority mortgage. Section E looks further ahead still at the potential significance of *re-sales* of former council dwellings upon the flows of funds from housing finance institutions into other sectors of the economy. Section F assesses what pressures the Right to Buy could bring to bear upon future movements in the price of *owner-occupied* housing. Since the price of housing is inextricably linked to the balance between supply and demand, this final section also considers the likely effect of the Right to Buy upon the availability of *owner-occupied* housing, both second-hand and new.

*B. Potential Immediate Effect Upon Housing Finance*

3. The Building Societies Association (BSA) was only one of several witnesses to refer in its evidence to the estimates which had been made in its own Stow Report (1979) about the possible scale of funding which the building societies might provide to meet the increased demand resulting from the implementation of the Right to Buy. The Stow Report estimated that £730m might be required if societies financed 15,000 council house sales per annum. Such a figure in wholly new lending to first purchasers (i.e. without any countervailing gain to building society funds through proceeds from previous sales) would be equivalent to between 10% and 13% of the societies' total net annual lending to the housing market. Put more graphically by the Midland Bank, it would come to little short of the total of all clearing bank loans to the manufacturing sector of £789m in 1979.

4. In oral evidence, the chairman of the BSA made what he admitted to be a speculative guess and reckoned that for the societies to provide the level of funds for council house sales envisaged in the Stow Report, as well as meeting demand elsewhere in the private housing market, might add three or four points to the mortgage rate. It is only balanced comment to add that this "shot in the dark" was made not only, as we shall see in Section C below, on the assumption that this was a hypothetical circumstance but also at a time of much more sharply constrained mortgage availability and higher purchaser demand for funds than is the case at the time of publishing this report.

5. Mr. Bernard Kilroy in his oral evidence made the much lower estimate that the Stow Report funding estimate of £730m per annum on council house sales would put between 4% and 1% on the mortgage rate. The apparent discrepancy between these two assessments can perhaps be reconciled by distinguishing the "gross" impact implied by Mr. Williams' estimate from the "net" impact implied by Mr. Kilroy's estimate. Thus the higher estimate of 3 to 4 points was meant to cover the combination of (a) the building societies' providing new funds for council house purchasers equal to £730m per annum,

and (b) their doing so at a time when prevailing competitive interest rates in the economy were high, building society rates were being kept at an uncompetitive level and there was already, without the Right to Buy, an excess of demand over supply of funds. The lower estimate, on the other hand, of 10% to 1% relates to the well-established statistical correlation that every 1% rise/drop in building societies' competitiveness tends to create approximately a £60m rise/drop in their monthly net receipts.

6. It would therefore seem spurious to attribute a net impact upon mortgage costs of more than one point to the specific annual outflow of net lending by building societies on council house sales which was estimated in the Stow Report, i.e. funding of 85,000 sales per annum by building societies. The observation made by Mr. Williams about the place of council house funding within the overall housing market does, however, illustrate a factor of greater potential importance in the future. For his colleague and Deputy Chairman, Mr. Alan Cumming, referred in oral evidence to the conflict facing building societies between their obligations to existing borrowers on variable rate mortgages to restrain the costs of mortgage repayments and their obligations to their investors and to new borrowers to give a competitive rate of return and to attract an adequate inflow of savings to finance new demand. In their oral evidence, the BSA representatives went on to say that, although the Stow Report had concluded that the societies' traditional sources of funds were adequate to meet demand if their rates were competitive, no-one had probably defined what was meant by the words "competitive rates". One of the implications of this point is that it is conceivable that the situation could well arise again, as occurred during the period from November 1979 to around the middle of 1980 when for reasons of concern or social obligation towards existing borrowers the building societies would feel unable to raise their rates to levels which were truly competitive in the sense of being high enough to attract sufficient inflows to meet the full extent of mortgage demand throughout the housing market. In such circumstances, then the "gross" impact of additional demand for funds from an increased council house sales programme — coming on top of an already tight mortgage situation throughout the housing market — could well approximate to the orders of magnitude suggested by the BSA Chairman, although the specific council house sale effect would only be of the order of 1%.

7. The two merchant bankers who submitted evidence — Mr. E.P. Chappell of Morgan Grenfell and Charterhouse Capital — both emphasised the risks which would be placed upon the building societies' sources if the majority of council house sale-funding demand was placed upon them. They also referred to the complexities of the financial variables involved and the dependence of any conclusions about the financial flow effects of council house sales upon the use to which local authorities put the capital receipts for sales. This point was also stressed by the Midland Bank, Barings Bank and the BSA itself. The National Westminster, on the other hand, made the implicit assumption that any capital receipts accruing from building society or other private sources to local authorities would be spent upon public sector goods and services — rather than being used to reduce public sector borrowing — and went on to express their concern at the potential diversion of savings funds away from corporate lending towards local authority spending.

8. The likely use to which any capital receipts from building society or other private sources are placed by the local authorities is clearly important. Almost all the evidence from financial bodies referred to the countervailing effect of easing interest rates elsewhere in the economy if all capital receipts from council house sales went towards reducing PSBR. Mr. Boland of the BSA, however, pointed out in oral evidence that on his reading of the Public Expenditure White Paper "... the capital receipts from council house sales are going to determine the level of public sector housing investments ..." although he then went on to qualify this by saying that "... (although) this has some implications of the total volume of housebuilding output and the total volume of public sector activity. ... I do not think anybody could estimate what that effect would be or, even if local authorities are entitled to use 10 per cent, whether they would wish to do so." The point being implicitly made by Mr. Boland is important to the question of whether private sector funding of council house sales is likely to achieve any reduction in the PSBR. Either the Public Expenditure White Paper figures are taken at their face value and the totals for housing expenditure in the financial years 1980/1 to 1983/4, inclusive of the negative effect of capital receipts and the positive effect of expenditure, are regarded as the planning

*(Continued)*

determinant of what will be the final housing impact upon PSBR, or there may remain the possibility that the total housing expenditure figures could be reduced from their planned levels by additional capital receipts from council house sales for which there is no countervailing expenditure and which therefore directly reduce the housing expenditure total.

9. Given the future capacity of local authorities to switch their capital expenditure between housing and other departments, it is impossible to pin down one's conclusion to the former definitive interpretation of the White Paper's housing expenditure figures. Mr. Bolcut is correct to imply that individual local authorities retain the freedom to deploy their half of the capital receipts as they see fit and that it cannot be automatically assumed that all of these receipts will go towards housing investment. The overwhelming weight of evidence received by the Committee from local authorities however, would suggest — if taken at face value — that their Housing Investment Programme allocations fall so far short of their identified needs — and, in some cases, of their existing programmes and commitments — that the availability of additional funds for housing investment through 50% of capital receipts from council house sales would not be rejected. Furthermore, the Minister for Housing and Construction, speaking on Wednesday 15th October 1980, to the Chartered Institute of Public Finance and Accounting (CIPFA), strongly reinforced this impression when he encouraged local authority treasurers to make maximum use of capital receipts to supplement their council's HIF allocations. "I believe," he said, "that there will scarcely be any local authority that cannot add materially to its HIF ceiling in this way."

10. The local authority's half of the capital receipts, therefore, would seem likely to be used for further housing investment purposes both in the light of local authorities' apparent requirements and in response to strong encouragement from the central government. As for the other half of capital receipts which, according to the Minister for Housing's speech to the Institute of Housing on 24th April, are due to be taken up in advance of the relevant financial year and allocated to HIF's across the nation, these must by definition be applied to further housing investment unless the Government make the deliberate, undeclared decision to reduce the housing expenditure totals from the last White Paper's plans by failing to allocate the 50% of forecast capital receipts for the forthcoming financial year in full to HIFs. Another, although unintended, source of such a reduction could arise if the forecast of capital receipts proved to be a significant underestimate. It is assumed that in such circumstances the surplus funds would be re-allocated at the earliest convenient date, either an adjustment during the financial year as sales were turning out to exceed forecast or an adjustment to the following financial year's programme.

11. Capital receipts look likely, therefore, to be wholly or mostly deployed upon further housing investment by local authorities. This conclusion has two important implications for the subjects covered in this paper: firstly, that any increase in building society or private funding of council house sales is unlikely to create a countervailing reduction in the pressure upon funding and interest rates elsewhere in the economy; and secondly, that the scale of private sector funding directly affects the level of housing investment and output, which is to be considered below in Section F.

### C. Actual Short-Term Effect Upon Housing Finance

12. During 1979, local authorities received initial payments from council house purchasers to the value of £108.75m out of a total capital value of deposits equal to £394.90m, i.e. a private sector funding proportion of around 27%. The equivalent proportion was 32% in 1978. Information on the precise breakdown of this private sector funding between building society loans and other sources is not available, but the BSA estimated in written evidence that loans by building societies probably accounted for around 10%. The Nationwide Building Society put the estimate at between 8% and 8½, a figure based, as confirmed in oral evidence by Mr. Leonard Williams, upon specific inquiries which had been made in local areas.

13. These figures illustrate that whereas the focus of discussion about the funding of increased council house sales has been upon the role of the building societies, their actual

percent involvement in lender amounts to no more than one-third of all private sector funding and around £40m lending per annum compared with their own net lending to the private housing market of, according to the BSA evidence, between £5.8bn and £7bn. The scope and likely future development of the other two-thirds of private sector funding of council house sales — amounting to some £80m in 1979 when there were only 42,000 sales in England and Wales and possibly as much as double that figure in 1980 when sales have risen towards 75,000 — is of greater quantitative importance.

14. The BSA in written evidence pointed out that one-quarter of council house tenants held building society savings accounts and that those who purchase their council homes will be able to use these savings as deposit payments towards the purchase. The Nationwide Building Society, however, estimated that even on an increased programme of 100,000 council house sales per annum the societies would be unlikely to suffer withdrawals of more than approximately £100m — less than 2% of their net annual lending to the housing market. In oral evidence, Mr. Boland of the BSA said that "... no precise estimate of how much money would be taken out of building society savings accounts to provide deposits (can be made but) there is anecdotal evidence that it could be quite substantial. ..." but that currently no more than 15% (of all council house sale funds) is likely to be coming from building societies through lending and withdrawals combined. The remainder of the private sector funds were largely assumed to come from clearing banks and fringe savings banks withdrawals. These can, of course, be shown to have equal implications for the overall financial flows in the economy, although not so directly identifiable and linked to the housing market as the building society statistics.

15. Not only is the present scale of building society involvement on the low side — relative to the total sums involved in the housing market and to the estimates made in the Stowe Report — but also the BSA in oral evidence emphasised very strongly the unwillingness of building societies to increase their lending for council house sales "per se" at times of restricted mortgage availability elsewhere in the housing market or to make any special allocations for council house sale loans. Mr. Boland in oral evidence also pointed out that in compiling the Stowe Report estimates "... all we were trying to look at is what would be the maximum demand for building society funds under certain assumptions ... (rather than) an assessment of what might actually happen."

16. Mr. Williams made it clear that at times of limited overall mortgage availability the building societies would not increase their share of funding. Insofar as the most significant potential avenue for radically increasing the amount of private funds could be said to lie with extension of building society lending, then this statement could be regarded as ruling out the chance of any significant immediate impact of the Right to Buy upon the cost and availability for mortgage finance. The present levels of private sector funding, even including sources other than building societies, do not exceed £200m (on 75,000 sales) so that even with an increased sale programme to 100,000 per annum the scale of immediate private sector funding would not seem significant.

17. It has been argued in the Committee's First Report, in the context of assessing the level of capital receipts accruing to local authorities for further housing investment purposes, that as sales are extended through higher discounts to a wider — and lower — income range of tenant-purchasers, then the above-referred private sector funding proportion could be expected to fall with fewer purchasers able to buy outright or put down substantial deposits. On the other hand, the corollary of the BSA's oral evidence that their council house sale involvement would not rise under conditions of constrained mortgage availability is that under the easier conditions which prevail at the time of the Report's publication then the building societies contribution could increase substantially. Although within such an overall availability context the immediate impact upon mortgage costs would not be relevant, it might be conceivable for a situation to develop in which a substantial dependence of council house sales and local authority HIPs upon building society funding was built up during periods of general housing market slackness but this relationship would be sharply destabilised when and if the demand for housing finance picked up rapidly as it did during 1978.

[Continued]

*2. Medium-Term Impact of Mortgage Repayments*

18. In addition to the immediate potential effect of cash financing of all or a part of the sale price, there is the medium-term effect upon the flow of funds out of personal savings into the annual stream of capital repayments made by council house purchasers holding local authority mortgages. The precise projection of what this stream of future mortgage capital repayments will be will depend upon the mortgage rate prevailing during future years. However, as David Webster pointed out in his Memorandum No. 1 to the First Report of the Environment Committee, the actual rate of increase in the nominal value of capital repayments on an interest mortgage is equal to the prevailing mortgage rate; and since historically the mortgage rate has not tended over time to exceed the rate of price inflation, there are reasonable grounds for assuming that the real value of future mortgage capital repayments expressed in today's prices will not exceed their real value in the first year of the mortgage's life. Thus, if we can estimate what is likely on average to be the value of first-year mortgage capital repayments on that proportion of council house sales over the next ten years which are funded by local authority mortgages, then that average value multiplied by the total number of such sales over that ten-year period is likely to approximate reasonably reliably to the total real value of mortgage capital repayments by individuals to local authorities in the tenth year.

19. If we assume that 100,000 dwellings are sold per annum and that 70% of the total sale proceeds are "funded", as approximately at present, by local authority mortgages, then at the end of a ten-year sales period, assuming an average sale price of £25,000, this would mean a total level of local authority "advances" equal to £3.5bn. If local authority mortgage rates averaged 10% over this ten-year period, then the capital repayment on a 25-year interest mortgage in the first year per £1,000 advance would equal £110.28 minus interest payments of £100.00 = £10.28. If this figure was taken, on the logic set out in the paragraph immediately above, as a proxy for the real value of capital repayments each year throughout the lives of all the mortgages making up that £3.5bn debt, then the annual mortgage capital repayments would equal £37.57m.

20. Let us also briefly consider alternatives on either side of this middle range. If the mortgage rate averaged 5% throughout the ten-year period and the annuity period averaged 20 years rather than 25 years, then the average first-year capital repayment would equal £10.28 less £50.00 per £1,000 advance = £30.28, which when multiplied by £3.5bn total debt would give annual mortgage capital repayments in year 10 of £106.57m. If the mortgage rate averaged 15% throughout the ten-year period and the annuity period averaged 30 rather than 25 years, then the average first-year capital repayment per £1,000 advance would equal £152.40 minus £150.00 = £2.40, and the real value of annual capital repayments in year 10 would equal £13.40m. In conclusion, it would seem that on present inflation and mortgage rate trends the average annual capital repayment value would be likely to approximate to £50m of funds being paid annually by 1990 by private individuals to local authorities; but if inflation and interest rates fell to around 5% average over the ten-year period and purchasers chose shorter annuity repayment periods, then the real value of annual capital repayments could reach around £170m. If, on the other hand, inflation and interest rates remained well into double figures for the rest of the decade and purchasers chose longer annuity repayment periods, then the real value of annual capital repayments could be relatively small in the context of total public expenditure on housing.

21. This flow of mortgage principal repayments from council house purchasers to local authorities may, however, be affected by the rate at which former council houses are re-sold and by the financial basis upon which such re-sales are carried out. If the council house purchaser who is re-selling simply switches from a local authority mortgage on his former council house to a new local authority mortgage on his next house, then there will be little or no interruption in net sums to his rate of capital repayments; the redemption of his local authority mortgage against the former council house will be directly countered by the balance on the new mortgage taken out on his next house. There is, however, no statutory duty upon the local authority to grant such a new mortgage to a re-selling former council house purchaser and, with the growing recent evidence that local authority lending to individuals for house purchase and improvement other than for the purchase of council houses is being sharply reduced in response to reduced HMP allocations, then there is every

likelihood that in the majority of such re-selling cases the new mortgage will come from a building society or other financial institution and that the re-sale will therefore involve the redemption to the local authority of the full outstanding balance and the cessation of future capital repayments by the purchaser/re-seller. The illustrative projection set out below is therefore based upon the assumption that all re-sales of former council houses involve the full redemption of the outstanding capital balance with no countervailing new contributions to lend made by the local authority.

22. The steps required to assess the impact of such redemptions and cessation of further capital repayments upon the total flow of capital payments in the medium term to 1994 as a result of council house sales are as follows:-

- (i) to estimate the net real present value of the outstanding capital debt on a local authority mortgage at each point in the first fifteen years of its life;
- (ii) to estimate the likely annual rate and timing of re-sales of former council houses;
- (iii) in applying (i) to (ii) to calculate both the net real present value of likely future redemption of local authority mortgages on re-sold former council houses, adding this on to the basic figure established in paragraph 19 above for the annual rate of principal repayments, and the net real present value of the future repayments of principal against those re-sold former council houses which now need to be deducted from the annual repayment figure estimated in paragraph 19 above for the years which follow the year of re-sale.

23. Following step (i), table 1 below sets out how, on the average £8,000 advance on a 25-year annuity mortgage at 10% mortgage rate (i.e. on the assumptions for the average council house sale advance used in paragraph 19 above and throughout this analysis), the monetary value of the outstanding debt would decline in each of the first fifteen years (column 2) and then translates this monetary value into a net real present value at 1990 prices (column 3).

*Table A: Decline in Outstanding Debt on £8,000 Advance on 25-year Annuity at 10% between years 5 to 15*

Year	0	Advance + £8,000 (1)	Outstanding Debt (2)	Net Present Value 1990 at 10% inflation (3)
5		1	7500	4654
6			7613	4155
7			7726	3702
8			7860	3290
9			6885	2917
10			6680	2517
11			6475	2187
12			6243	1906
13			5984	1711
14			5700	1499
15			5388	1288

24. With regard to step (ii), namely the estimation of the likely rate of former council house re-sale, evidence has not been widely forthcoming from witnesses to the Committee and certainly no local authorities submitting evidence appear to have kept a close track on the percentage annual re-sale and dissolution rate amongst former council house purchasers. Two methods of estimating both the re-sale and the dissolution rates seemed to the writer most likely to yield useful results. The first method would be used to identify separately (a) the average annual rate of moves by former council house tenants who have purchased their homes and (b) the average annual rate of dissolutions of households who have purchased their council houses. The second method would be to apply to the total numbers of former council houses which have been sold under the Right to Buy the national figure for the annual turnover of all existing owner-occupied stock and then to distinguish within that total — again according to the national averages for the whole of the existing owner-occupied stock — between turnover of stock by movers and turnover of stock by dissolved households.

(Continued)

25. Following the first of the two methods outlined above, the primary source of evidence for the likely rate of moving by former council house tenants now in the owner-occupied sector comes from paragraph 63 of the DoE's Financial Appraisal which concludes from the DoE's Movers Survey "... that for owner occupiers aged 45-69 the average annual rate of movement in 1967 was between 3.1 and 4 per cent; the same source suggests 8-8.5% for owner-occupiers under age 45; and for all owner-occupiers taken together (including those aged 70 and over, who move very infrequently), 3.2%." The age-profile of council house purchasers would appear to differ significantly from the age-profile of other first-purchasers in the private housing market. It would seem more accurate therefore to apply the separate rates for the under 45 and 45-69 age-groups rather than using the overall average for the whole market, to a sample age profile of council house purchasers. In order to avoid further bias in exaggerating the numbers of re-sales — and to avoid any double-counting of movers' re-sales with dissolved households' re-sales — it is assumed that the movers' rate for over-70 people is nil.

26. One major technical problem in calculating an annual rate of re-sale arising from any given level of council house sales in a certain year is posed by the 5-year pre-emption rule. This means that no — or, at least very few — properties can be assumed to become available during the first five years after original purchase. The question then arises as to whether in year 5 one assumes that the normal annual moving cycle starts or whether the accumulated desire to move of the previous five years is realised in year 5. The one significant piece of evidence on this subject has been shown in the work carried out by Mr. George Powell, Mortgage Manager of the Anglo Building Society, who analysed the position in 1979/80 of a sample of 900 households who had purchased their council houses in 1972/3 and found that 45% had moved to another house or left the original house for some reason. This evidence does seem to back-up the conclusion that would seem most logical, namely that the national average moving rate tends to reflect the likely behavioural pattern of those in owner-occupation and that this pattern will tend to re-establish itself in whatever form is required to fit in with the official rules rather than to be substantially changed by these rules.

27. The tables of "Re-Sales by Movers" below is therefore based upon an application of the national owner-occupied movers' rate of turnover to the Murie age-profile of council house purchasers, assuming that 100,000 council houses are sold per annum from 1980 to 1985 and that all the "dear-ol'" re-sales of the first five years are bunched into the sixth year. The Murie age-profile can be summarised as:

Under 45	33%	or	35,000 sales per annum
45-69	61%	or	61,000 sales per annum
Over 69	6%	or	4,000 sales per annum

28. Sales of 35,000 houses to purchasers under 45 would create an annual re-sale, at 8½% per annum, of 2,975 dwellings. Sales of 61,000 houses to purchasers aged 45-69 would create an annual re-sale, at 4% per annum of 2,440 dwellings. The total annual re-sale by movers would therefore equal 5,415 dwellings, say 5,400. For year 6, this would mean accumulated re-sales of 27,000 plus 5,400 re-sales for that year itself, totalling 32,400 re-sales. (It should be noted at this stage that the Murie age profile has been used here in order to be consistent with the data which, at the time of writing, had been explicitly accepted by the Department of the Environment. As demonstrated in David Webster's memorandum on the Loss of Re-Lets, there are other age-profile samples which could claim at least equal validity and which would all show a lower age profile and hence a higher rate of mobility and re-sale). These estimates are applied to a fifteen-year projection in Table II below.

[Continued]

Table II: *Re-lets by Decade 1981-1994*

Year of Re-let	('000's)					Year of Original Purchase					Total Re-lets Each Year
	80	81	82	83	84	85	86	87	88	89	
1985	32.4										32.4
1986	5.4	32.4									37.8
1987	5.4	5.4	32.4								43.2
1988	5.4	5.4	5.4	32.4							48.6
1989	5.4	5.4	5.4	5.4	32.4						54.0
1990	5.4	5.4	5.4	5.4	5.4	32.4					59.4
1991	5.4	5.4	5.4	5.4	5.4	5.4	32.4				64.8
1992	5.4	5.4	5.4	5.4	5.4	5.4	5.4	32.4			70.2
1993	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	32.4		75.6
1994	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	32.4	81.0

29. Turning to re-lets from dissolution, Table 5 in the DoE Supplementary note entitled, "Effects on Re-Lets of Sales of Council Houses to Sitting Tenants", enclosed with Mr. Barclay's memorandum dated 29 September, gives an estimate of the annual dissolution rate per 1000 households for council house tenants. Although this estimate is intended for use in the calculation of the loss of re-lets, it is equally applicable to an estimate of the numbers of former council dwellings which, as a result of purchase and later dissolution of the purchasing household, will become available for re-sale in the owner-occupied market. Households may change other aspects of their economic and social behaviour as a result of moving into the owner-occupied sector but the writer is unaware of any evidence of a significant change in their mortality and ageing rates!

30. The DoE note, Table 5, suggests that the annual dissolution rate per thousand purchaser households lies between 3.30 and 3.05 per thousand and that over a ten-year period the likely dissolution per thousand households will be between 40/45 and 70. (The lower and upper figures corresponding to the different age profiles of the Marie and Peter studies of council house purchasers; Webster's figures would give even higher dissolution rates but these are not deployed here, so that this estimate is based entirely on the DoE's own estimates.)

31. The DoE states that "the age ranges are too broad for the cumulative expected number of households dissolved over the run of years to be calculated at all precisely" so no attempt has been made below to estimate accurately annual numbers of dissolved households amongst former council house purchasers. Instead, the rough method has been deployed of distributing the DoE's upper and lower ten-year estimates of 70 to 45 dissolutions per thousand households on a gradually rising path over the year. Although this cannot claim to precise accuracy, it will at least in the overall analysis not exaggerate the figure for any one year. For the total of any one year's dissolutions in the last years will be an amalgamation of the high annual rates of dissolution on the households who purchased early in the 1981-1990 cycle considered below and the lower rates of dissolution on the households who purchased in the middle or end of the decade. These estimates are set out in Table III below.

Table III: *Assumed Annual distribution of the DoE's 10-year Dissolution Estimates over the Individual Years: Per '000 Households*

Year	Lower	Upper
1	3	5
2	3.3	5
3	3.7	6
4	4	6
5	4.3	7
6	4.7	7
7	5	8
8	5.3	8
9	5.7	9
10	6.0	9
	45	70



[Continued]

32. Again there is the technical problem of how to treat dissolutions in the first five years after original purchase. It may be argued that some sale-backs to local authorities will take place but the economic logic for the estate or inheritors of the dissolved household would argue against this and in favour of accumulating all the first five years' dissolutions into resales in the sixth year. In the absence of any known evidence of a significant sale-back proportion and for clarity of analysis, it is assumed here that all dissolutions result in resales after the five-year pre-emption period.

33. There is one further problem regarding the estimation of dissolution rates in years 11-15 which are not contained within the Doll's estimates. The figures for these years are required in order to build up the total number of resales from dissolution which would occur in 1990-1994. They do not make a significant difference to the final result since it is only for the stream of council house sales cascaded in the first five-year period 1980-1984 that such figures are required. It is assumed in Table IV and V below that the dissolution rate in these years rises by the same amounts as it had been rising in previous years, i.e. by a declining percentage.

*Table IV: Application of Lower Annual Dissolution Rates to Assumed Programme of 100,000 Council House Sales per Annam 1980-1989*

Year of Re-sale	Year of Original Purchase										Number of Re-sales
	80	81	82	83	84	85	86	87	88	89	
1985	2300										2300
1986	500	2300									2800
1987	530	500	2300								3330
1988	570	530	500	2300							3900
1989	600	570	530	500	2300						4500
1990	630	600	570	530	500	2300					5130
1991	670	630	600	570	530	500	2300				5800
1992	700	670	630	600	570	530	500	2300			6500
1993	730	700	670	630	600	570	530	500	2300		7230
1994	770	730	700	670	630	600	570	530	500	2300	8,000

*Table V: Application of Upper Annual Dissolution Rates to an Assumed Programme of 100,000 Council House Sales Per Annam*

Year of Re-sale	Year of Original Purchase										Total Re-sales Each Year
	80	81	82	83	84	85	86	87	88	89	
1985	3600										3600
1986	800	3600									4400
1987	900	800	3600								5300
1988	900	900	800	3600							6100
1989	900	900	900	800	3600						7000
1990	1000	900	900	900	800	3600					8000
1991	1000	1000	900	900	800	800	3600				9000
1992	1100	1000	1000	900	900	800	800	3600			10100
1993	1100	1100	1000	1000	900	900	800	800	3600		11200
1994	1200	1100	1100	1000	1000	900	900	800	800	3600	12400

34. The figures in Tables II, IV and V above — using the first of the two methods considered in para. above — indicate that an assumed programme of 100,000 council house sales over this current decade could generate by 1994 annual resales by movers equal to 81,000 and annual resales due to dissolution of households equal to between 8,000 and 12,400. We shall return later in this paper to an analysis of how these funds might be deployed but meanwhile let us consider how these figures would be calculated under the second method. Table B.14 in Appendix 2 to the Sew Report gives a breakdown of the sales of owner-occupied houses in G. B. during each of the years 1973-1979. In order to derive from this table the turnover rate of existing housing stock, one must deduct from the

(Continued)

total the numbers of sales of newly built houses and council houses; the resultant figure for total sales of existing owner-occupied houses, expressed as a percentage of the total owner-occupied housing stock, gives an annual turnover rate which ranges between 4.7% and 7.3%. Let us assume therefore that the annual turnover of existing owner-occupied housing stock averages 7% per annum. This percentage has then been applied to assumed programmes of 100,000 council houses per annum between 1980-1989 in Table VI below and the same assumptions about the five-year pre-emption period as used in the first method above are applied.

*Table VI: Application of National Average O-Occupied Stock Turnover Rate to Annual Council House Sale Programme of 100,000 From 1980 to 1989*

('000's) Year of Re-Sale	Year of Original Council House Purchase										Total Re-Sale Each Year
	80	81	82	83	84	85	86	87	88	89	
1985	42										42
1986	7	42									49
1987	7	7	42								56
1988	7	7	7	42							63
1989	7	7	7	7	42						70
1990	7	7	7	7	7	42					77
1991	7	7	7	7	7	7	42				84
1992	7	7	7	7	7	7	7	42			91
1993	7	7	7	7	7	7	7	7	42		98
1994	2	7	7	7	7	7	7	7	7	42	100

15. Table VII below brings together and compares the results of these two methods of estimating the likely rate of re-sale of former council houses.

*Table VII: Comparison Between Two Methods of Forecasting Rates of Former Council House Re-Sales on a Programme of 100,000 Council House Sales per annum*

('000's)	Total Re-Sales Estimated by Method (i)		Total Re-Sales Suggested by Method (ii)
	Lower	Upper	
1985	34.7	36.0	42
1986	40.6	42.2	49
1987	46.5	48.4	56
1988	52.3	54.7	63
1989	58.2	61.0	70
1990	64.3	67.4	77
1991	70.6	73.8	84
1992	76.7	80.2	91
1993	82.8	86.8	98
1994	89.0	93.4	100

16. These two alternative rates of re-sale will be first used, immediately below to estimate their impact in the medium term upon the rate of capital redemption/repayment to local authorities. In order to illustrate the effect of re-sales upon flow of capital payments to local authorities, each of the above two rates of re-sale is followed through separately as it alters the pattern of re-payments over the first ten years of a council house sale programme. Their impact is traced first through each annual "cohort" of 70,000 local authority funded sales (70% of the assumed annual 100,000 sale programme — see paragraph 19 above) and then the accumulated impact of succeeding years' sales are brought together in order to show the position by year 10 or 1989.

[Continued]

32. The lowest projection of 34,700 total re-sales in 1985, followed by 5,900 in succeeding years and building up to 89,600 by year 15 is covered first. On the basis that 70% of original council house sales were funded with local authority mortgages, this rate of re-sale would lead to 24,290 redemptions in year 5 and 4,130 redemptions in succeeding years for each annual "cohort" of 70,000 local authority mortgages. Following the end-range base projection in paragraph 19 above that these 70,000 mortgages at 10% would generate first-year capital repayments equal to £3.75m and that these would rise annually in line with the mortgage (and inflation) rate and thus stay constant in real terms, the impact of these redemptions in both immediately boosting the annual capital repayments and therefore reducing them in succeeding years is analysed in table VIII below.

*Table VIII: Impact of Lowest Projection of Re-Sale Rate upon Pattern of Local Authority Mortgage Capital Repayments and Redemptions*

<i>Capital Repayments</i> (No of Mortgages Outstanding x Annual Net Present Value in Year 1 of Capital Repayments) £'000		<i>Redemptions of Outstanding Debt (No of Re-sales x Net Present Value in Year 1 of Capital Debt Outstanding, £'000)</i>	<i>Total Value of Redemption and Repayments £'000</i>
Year	(1)	(2)	(1) & (2)
1	70,000 x £52.24* = 3,757	—	3,757
2	70,000 x £52.24 = 3,757	—	3,757
3	70,000 x £52.24 = 3,757	—	3,757
4	70,000 x £52.24 = 3,757	—	3,757
5	70,000 x £52.24 = 3,757	—	3,757
6	43,710 x £52.24 = 2,289	34,290 x 4,155 = 100,925	104,684
7	41,590 x £52.24 = 2,180	4,130 x 3,702 = 15,289	18,709
8	37,450 x £52.24 = 1,958	4,130 x 3,280 = 13,528	16,668
9	33,320 x £52.24 = 1,740	4,130 x 2,917 = 12,047	14,787
10	29,190 x £52.24 = 1,522	4,130 x 2,577 = 10,643	12,643

\*Monetary Value of Capital Repayments in Year 1 equals total repayments of £52.24 (for £5,000 mortgage at 10%) less interest payments of £500 net present value in Year 1 of capital repayments in future years is assumed to stay constant at Year 1 level since repayments rise by same percentage as mortgage rate which historically has roughly followed inflation rate.

33. These figures for the pattern of capital repayments in Years 1-10 of the life of each "cohort" of 70,000 local authority mortgages are set in Table IX below in the context of a 10-year council house sales programme between 1980 and 1989 running at 100,000 sales per annum of which 70% are funded with local authority mortgages.

*Table IX: Stream of Capital Repayments/Redemptions to Local Authority 1980-1989 on all Local Authority Mortgages for Council House Sale Programme of 100,000 units per annum*

<i>Year of Capital Repayment</i>	<i>Year of Original Sale</i>										<i>Total</i>
	80	81	82	83	84	85	86	87	88	89	
1980	3.75										3.75
1981	3.75	3.75									11.50
1982	3.75	3.75	3.75								17.25
1983	3.75	3.75	3.75	3.75							23.00
1984	3.75	3.75	3.75	3.75	3.75						28.75
1985	104.68	3.75	3.75	3.75	3.75	3.75					123.43
1986	18.71	104.68	3.75	3.75	3.75	3.75	3.75				132.14
1987	16.67	18.71	104.68	3.75	3.75	3.75	3.75	3.75			168.81
1988	14.79	16.67	18.71	104.68	3.75	3.75	3.75	3.75	3.75		183.60
1989	13.04	14.79	16.67	18.71	104.68	3.75	3.75	3.75	3.75	3.75	196.64

19. Exactly the same procedure is now followed though for the upper projection of re-sales, i.e. 42,000 in Year 6 followed by 7,000 per annum. Table X calculates the total of redemptions and repayments on a "cohort" of 70,000 local authority mortgages in Year 1-10 of their lives, whilst Table XI brings these together for a ten-year programme from 1980 to 1989 of 100,000 council house sales per annum, 70% funded by local authority mortgages.

*Table X: Stream of Capital Repayments and Redemptions in Years 1-10 of Life of 70,000 Local Authority Mortgages of £8,000 each at 10% Mortgage Rate*

<i>Capital Repayments (% of Mortgages Outstanding x Annual Net Present Brief Value in Year 1 of Capital Repayments)</i>	<i>Redemptions of Outstanding Debt (% of Re-sales x Net Present Value in Year 1 of Capital Debt Outstanding)</i>	<i>Total Value of Repayments and Redemptions</i>
£'000 (1)	£'000 <sup>a</sup> (2)	£'000 <sup>a</sup> (1) + (2)
1 70,000 x £82.34 <sup>a</sup> = 5,757	—	5,757
2 70,000 x £82.34 = 5,757	—	5,757
3 70,000 x £82.34 = 5,757	—	5,757
4 70,000 x £82.34 = 5,757	—	5,757
5 70,000 x £82.34 = 5,757	—	5,757
6 40,600 x £82.34 = 3,339	29,400 x 4.125 = 122,157	125,496
7 35,700 x £82.34 = 2,936	4,900 x 3.702 = 18,140	21,076
8 30,800 x £82.34 = 2,533	4,900 x 3.280 = 16,121	18,654
9 25,900 x £82.34 = 2,130	4,900 x 2.897 = 14,293	16,423
10 21,000 x £82.34 = 1,727	4,900 x 2.577 = 12,627	14,354

<sup>a</sup>Monetary Value of Capital Repayments in Year 1 equals total repayments of £82.34 less interest payments of £200 and present value in Year 1 of capital repayments in future years is assumed to stay constant at Year 1 level since repayments rise by same percentage as mortgage rate which historically has roughly followed inflation rate.

*Table XI: Stream of Capital Repayments by individuals to Local Authorities 1980-1989 on all Local Authority Mortgages for Council House Sale Programme of 100,000 units per annum.*

<i>Year of Capital Repayment</i>	80	81	82	83	84	85	86	87	88	89	Total
£m											
80	5.75										5.75
81	5.75	5.75									11.50
82	5.75	5.75	5.75								17.25
83	5.75	5.75	5.75	5.75							23.00
84	5.75	5.75	5.75	5.75	5.75						28.75
85	125.50	5.75	5.75	5.75	5.75	5.75					154.25
86	31.08	125.50	5.75	5.75	5.75	5.75	5.75				175.33
87	18.65	31.08	125.50	5.75	5.75	5.75	5.75	5.75			195.98
88	16.42	18.65	31.08	125.50	5.75	5.75	5.75	5.75	5.75		216.40
89	14.35	16.42	18.65	31.08	125.50	5.75	5.75	5.75	5.75	5.75	234.75

40. The conclusion from Tables IX and XI above is that, by allowing for upper and lower projections of re-sale rates on former council dwellings and assuming that the re-sales involve complete redemption of the outstanding mortgage balance, one could project a medium-term impact of capital repayments by individuals to local authorities equal to between £196m and £225m by 1989 on a programme of 100,000 council house sales per annum, of which 70% are local authority funded at an assumed average 10% mortgage rate — or around four times the impact of £37.5m per annum which was originally projected in paragraph 19 above on the basis of an even pattern of capital repayments without the intervention of re-sales and redemptions.

[Continued]

*E. Long-Term Impact of Resales*

41. Mr. Bernard Kilroy drew attention to the potential long-term leakage of funds out of savings and public sector assets into consumption when the tenant purchaser comes to sell and realises the full market value of his/her dwelling, including the average 40% discount received at the time of the original purchase. Mr. Kilroy's argument can be conveniently separated into three sections; firstly, that upon re-sale the original purchaser's realisation in cash sale proceeds of his 40% discount will represent a real transfer of resources out of the public sector into private sector wealth; secondly, that a considerable proportion of that transfer will be devoted to consumption rather than re-investment in wealth-creating assets; and thirdly, that the funding of future resales of council houses, at their full market price, including value of discount, will place a significant additional real burden upon the funding institutions.

42. The first of these three contentions is self-evident but does not really advance our understanding of what effect the Right to Buy has upon financial flows and the use of resources in the economy. The transfer of a claim upon resources from the public sector to private wealth is effected at the time of original purchase through the allocation to the purchaser of ownership of the whole property rights in return for cash or mortgage payments covering only an average of 66% of the property's market value. The later sale of the property by the original council house purchaser represents the cash realisation of that transfer. Whether that transfer itself represents a financial gain or loss for the public sector and for the economy as a whole is a matter for the "financial appraisal" which is covered in David Webster's memoranda. As far as the use and flow of funds is concerned, and the effect upon the cost and availability of housing finance, the second and third of the above contentions are crucial, namely how these proceeds from re-sale are deployed by the original purchasers and whether the financing of these re-sales represents a real net burden upon the financial institutions and, if so, how much of a burden?

43. In Table VII above it was estimated that the numbers of re-sales could reach 100,000 by the year 1994 against a programme of 100,000 council house sales per annum in the present decade or, at the lower end of the range, 85,000 re-sales. The latter lower estimate was divided between 81,000 re-sales by moving households and 4,000 re-sales by dissolved/emigrating households. The former upper estimate was based on applying the average overall re-sale rate in the owner-occupied sector. According to Table B.14 from Appendix 2 to the Store Report, approximately 25% of the re-sales from the existing owner-occupied housing stock during the period 1975-1979 were caused by household dissolution/emigration. When applied to the above upper estimate for former council house re-sales, this would suggest 75,000 re-sales by moving households and 25,000 re-sales by dissolved/emigrating households. For simplicity of presentation — and in view of the fact that the Anglia Building Society evidence cited above tends to confirm the view that former council houses re-sell at the average owner-occupied sector rate — the latter estimate is used as a basis for calculating the re-sale funds flow below.

44. Funds released by the 25,000 dissolved/emigrating households are estimated to total £350m in 1994 (25,000 x £14,000 average market valuation at 1980 prices). The net proceeds realised by 75,000 movers net of capital reductions and expenditure on their next property is impossible to assess precisely. The DOE estimated in Technical Volume II of the 1977 Housing Policy Review that in 1973 the mean positive net cash proceeds for movers who had bought with a mortgage on their previous property and who bought with a mortgage on the new property was around £1,700. Adjusting this figure for the approximate tripling of house prices between 1973 and 1980 would give mean net cash proceeds of £5,100. These would yield net proceeds of £383m from the 75,000 moving households, giving total re-sale funds of £733m, rounded to £730m.

45. It could be argued that the unique characteristic of council house sales which differentiates them from all other house transactions is the average 40% discount which, at 1980 prices, was worth approximately £5,000, and that this substantially increases the capacity of the re-selling former council house purchaser to generate net cash proceeds above the average for the market as a whole. Furthermore, in an era of increasingly competitive mortgage lending where building societies may be less well placed to impose

'rules' which 'oblige' the mover to place a substantial proportion of his previous sale proceeds towards the price of the next purchase, this potential is enhanced for the former council house purchaser to encash the capital gain from the re-sale of his former council dwelling (either trading down to a cheaper property *or*, like the 61% of the council house purchasers in the Marie profile, he/she is in the over-45 age group with decreasing family commitments and house size requirements) or piling up to a higher mortgage on the next house (if he/she is in the younger age group whose incomes are likely to have moved with, or faster than, inflation). If the full capital gain — averaging £6,000 at 1990 prices — were realised by all moving re-sellers, then this would generate net proceeds from the 35,000 movers of £450m or, when added to the relevant estimates of proceeds from re-sales by dissolved/emigrating households — total re-sale proceeds by 1994 of £800m. It should be pointed out that proponents of the 'leakage' thesis could claim that the total effect will be higher because, with the preponderance of council house purchasers amongst older age-groups, the tendency to 'trade down' and release the largest possible amount of proceeds for non-housing purposes will be accentuated; and that in total with up to 100,000 re-sales occurring in 1994 approximately £1,150m of gross sale proceeds (100,000 x £14,000 average price = £1,400m, less £250m allowance for outstanding redemptions) will potentially be at stake and will require funding on the mortgage market albeit tempered by the proportion which is re-invested in further housing. Those who are less impressed by the "leakage" thesis would point, by contrast, to the suggestion in the *Score Report* that around one-third of "last-seller" proceeds from house sales find their way back into building societies, whilst the remainder may work its way back into the overall supply of funds to the money market (thus alleviating the pressure of demand for funds) through insurance policies, bank accounts and other forms of savings.

#### *F. Housing Output and Prices*

346. The transfer of existing houses from the public rented to the owner-occupied sector, through council house sales under the Right to Buy provisions, does not in itself affect the total supply of housing. This obvious point is perhaps worth re-stating since its essential and simple message often appears to be missed in the interpretation which is placed by "pro" and "anti" observers upon the statistics concerning the effect upon owner-occupied housing stock and those concerning the effect upon availability of public housing stock to let. Just as the addition through council house sales of units to the former does not in itself make a net contribution to meet the additional housing demand posed by newly formed households, so the reduction through council house sales of units from the latter does not in itself reduce the overall availability of housing for the nation's total number of households. The transfer of tenure rather switches the future availability upon movement of the existing occupier(s) to another location, (from the public rented to the owner-occupied sector. Insofar as that switch in availability between sectors can be shown to have different impacts upon identifiably distinctive "types" or groups of households, then the effect of council house sales in changing the balance of housing opportunities between these identifiable groups can be analysed; and insofar as this switch results in behavioural responses from those involved in the supply and usage of housing in each sector which would probably not otherwise have occurred and which can be shown materially to influence the supply and availability of housing then these secondary effects can be attributed to council house sales.

47. The vast weight of evidence, quantitatively, received by the Committee from local authorities has focused upon the reduction in the future availability, upon movement by existing occupiers, of housing to let in the public sector. A much smaller volume of evidence has been received from housebuilders about the effects of an increase in the stock and households in the private owner-occupied sector as a result of the Right to Buy. The analysis of the former arguments, relating to loss of relets and likely replacement in the public rented sector, has been fully covered in David Webster's and Alan Mann's memoranda. The purpose of this section is to consider the latter arguments relating to owner-occupied housing availability and specifically to address the questions:-

- (a) can future projections of an increase in owner-occupied housing stock through relets by movers, emigrants and dissolved households be fairly considered to counter-balance loss of relets in the public rented sector?
- (b) what would be the likely scale and timing of such relets?
- (c) what would be the likely effect of such relets upon the price of owner-occupied housing?

[Continued]

48. The net increased availability of houses for resale in the owner-occupied market is equal to the gross number of resales in any given year less the numbers of re-selling households who move to another owner-occupied house and the numbers who acquire a second/third/etc. owner-occupied house (a largely hypothetical concept but necessary to complete the full equation). In short, the numbers of increased owner-occupied houses as a result of resales of former council houses equal the numbers of council house purchasers whose household is dissolved, emigrates or moves to another tenure. The net loss of houses for letting in the public sector as a result of council house sales is equal to the gross numbers of council house purchasers who would, had they remained as council tenants, have moved less those households who would have moved to another publicly rented house. In short, the numbers of net lost relies equals the number of council house purchasers who, had they not had the Right to Buy opportunity, would have dissolved their household, emigrated or moved to another tenure. The dissolutions and emigrations are largely self-canceling in each case except insofar as it may be suggested that by switching from public rented to owner-occupied tenure the household may increase/decrease its likelihood of dissolving or emigrating. If such a decrease were suggested, then the effect of a council house sale is to decrease total net housing availability by prolonging the occupation of a housing unit by a household; and vice-versa with an increase, e.g. do council house tenant purchasers have a higher likelihood of capitalising on their discount and emigrating, thus leaving one extra unit of owner-occupied housing available.

49. The third and last above constituents of the total net increase in owner-occupied stock/net decrease in publicly rented stock is "movers to another tenure". Council house purchasers under Right to Buy who would otherwise have moved into the conventional owner-occupied sector impose, however, a direct burden on the owner-occupied stock in return for the publicly rented house which they vacate. Thus the net lost re-let which their council house purchase under Right to Buy has caused is countered by a net reduction in the demand which they would otherwise have placed upon owner-occupied housing stock. Conversely, the net addition to owner-occupied housing stock which the move of a former Right to Buy council house purchaser out of the owner-occupied tenure creates is countered by the net increase in the burden which he then places upon the publicly rented stock. (Unless, in both or either case, the mover leaves the publicly rented or owner-occupied sector for private rented accommodation.)

50. Mathematically, therefore, lost relies seem totally comparable with net gains to owner-occupied stock in the "zero sum game" of switching households between different tenures in the existing housing stock. Furthermore, since two out of the three constituents of a net change in future availability in each sector as a result of the Right to Buy are determined by behavioural factors mostly unrelated to tenure (i.e. household dissolution and emigration), then the timing of the counter-vailing net changes in each sector is likely to coincide. The third factor, which is less likely to be uniform in timing, i.e. moves to another tenure, has equally been shown to be a direct trade off between the sectors. The other factor which may also vary substantially in its incidence and timing between the sectors, i.e. move to another house in the same tenure, does not affect net availability within each sector.

51. If housing was a fairly homogeneous product which was traded in a free market under conditions approximating to the classical model of perfect competition in which the price always tended towards the equilibrium level at which effective demand was met by supply at "normal profit", then in theory the effect of any net rise or fall in the net supply of housing in either of the two sectors under discussion would be to lower the price in the sector (owner-occupied) where the net supply was increased and to raise the price in the sector (public rented) where the net supply was reduced; and the secondary effect would then be to reduce the supply of new housing in the former (owner-occupied) sector and to increase the supply of new housing in the latter (public rented) sector. In this way, the market forces would in theory work to bring supply and its price back in line with the desire and capacity of households to pay for that supply.

52. In practice, of course, housing is not a freely traded product — nor even approximating to such — both for the social reasons which underlie the concept of housing provision as most countries and for the complex mixture of public/private, short/long-

term costs and benefits associated with the production and usage of the housing product. Taking the above four production and price effects in reverse order, we know, firstly, that new supply in public rented housing will not rise because of public expenditure decisions based upon non-trading judgements of its economic viability. Secondly, we have received evidence from private housebuilders largely — but not totally — to the effect that their output will not be reduced because of increased council house sales and rentals. Thirdly, the price of public rented housing is expected to increase but again by government policy decision rather than a reflection of changes in the supply-demand balance. Fourthly, and perhaps the key point for consideration in this section, there would appear to be countervailing forces as a result of the Right to Buy affecting the future course of house prices in the private sector. The theoretical conclusion that the rate of price increase should be moderated does not necessarily seem to follow.

53. For, whilst the majority of the housebuilders' evidence — as summarised in the Annex to this memorandum — suggests that little or no impact is expected upon their markets from council house sales at a discount in the case of these houses possessing strong price competition, the evidence of Shepherd Homes refers to the long-term effect of restraining prices at the owner end of the housing market through the availability of would former council houses. At the same time, Shepherd Homes refer to the counter-effect which this could have through discouraging those housebuilders who had specialised in volume housing for first-purchasers from maintaining their output in this section of the market. Evidence from the Housing Centre Trust and National Consumer Council also referred to the possible easing of pressure at the end of the market through increased supply. In contrast to this easing of pressure, the Royal Town Planning Institute pointed to the possible diversion of building society funds away from supporting inner city schemes which are designed precisely to increase supply and moderate price increases in this part of the first-purchaser market. A more developed argument on this theme came from the Thamesdown Council, both in written and oral evidence, who claimed that the attraction of Right to Buy with statutory discounts would deter potential purchasers away from their own new build partnership developments with housebuilders for first-purchasers, as well as the renovation of older stock in the town centre, and thus reduce the overall supply of housing.

54. None of these arguments, however, contained a strong statistical or theoretical framework with which to substantiate and predict convincingly the likely direction and scale of the price effect. In practice, the course of house prices historically has appeared to move in identifiable cycles whose influence seems — in an admittedly controversial area where even the Joint Advisory Committee had serious problems agreeing on the underlying factors — to outweigh and even overwhelm many of the individual supply changes from year to year which should, in economic theory, affect the price outcome. Thus, for example, the previous era of high council house sales in 1972/3 coincided with a sharp house price boom, whilst the latest house price acceleration in 1978/79 coincided with the end of the five-year pre-emption for most of those council houses sold in 1972/3.

55. The argument as to the factors which influence national movements in house prices tends therefore to revolve more crucially around the roles of housing finance and savings (i.e. the components of effective demand) than around the roles of marginal changes in the supply of owner-occupied housing within a total national stock of 12 million units and annual resale availability for the whole stock approaching 1 million units. In this regard, the extension of statutory local authority credit to finance the purchase of council houses and the consequent extension in the proportion of the nation's households who come into the "existing owner-occupier" category in each analysis can have a crucial impact on future trends in house prices. For, as the Building Societies Association points out in its counter-arguments to the claim that housing finance uses up real economic resources, the majority of housing finance is re-cycled by movers from one house purchase to another house purchase. This effectively means that for the majority of existing owner-occupiers the denominations of money value in which the resale value of their house and their future house are measured do not have the same real impact as the denominations of value in which the potential new house of the first-purchaser have for him. Thus, whilst clearly the existing owner-occupier has the incentive to maximise the money value of his existing house and to minimise the money value of his new house, it could not be conclusively claimed



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that on balance the existing owner-occupier exercises a net restraining influence upon house prices. By contrast, the first-purchaser must exercise the main restraining influence upon house price movements since the combination of his earnings, his mortgage advance status and his savings is the one and only injection of "new money" into the private housing market which enables the rest of the indivisible housing chain to trade on and move. It is a mathematical inevitability, as borne out by practical experience over the past twenty years, that as the proportion of the total population who are existing owner-occupiers increases so the proportion of house purchases in any one year who are existing, moving owner-occupiers (or dissolved households) must increase. Conversely, the proportion of the housing transactions in the year involving first-purchasers must fall, as it has done from over 60% to 45% in the past ten years. Thus in the long term, a high proportion of council house sales may, by increasing the proportion of existing owner-occupiers in the housing market and hence reducing the proportion of first-purchasers, reduce the restraining influence exerted by the latter upon the money prices in which house values are denominated.

October 1960

# APPENDIX TO MEMORANDUM BY MR. JAMIE STEVENSON ON "HOUSING FINANCE, OUTPUT & PRICES"

## SUMMARY OF EVIDENCE FROM (1) BUILDING SOCIETIES, (2) CLEARING & MERCHANT BANKS, (3) HOUSEBUILDERS TO COMMONS ENVIRONMENT COMMITTEE ENQUIRY INTO COUNCIL HOUSE SALES

### 1. BUILDING SOCIETIES

- Written Evidence received from *The Building Societies Association*, the *Nationwide Building Society* and the *Abbey National Building Society*.
- Oral Evidence received from *The Building Societies Association*.
- Supplementary survey information collected by the *Anglia Building Society* and circulated to Committee.

#### (a) BUILDING SOCIETIES ASSOCIATION

Building society share of total council house sale financing unlikely to exceed present 10% level; oral evidence says it is only 6%-8%. Certainly building society share would not increase during times of tight mortgage availability. Also no special allocations. Also preference may be given to other first purchasers without present hope of their own.

No way of knowing how much of the present 30% "cash-funded" element in council house sales is taken from building society savings accounts. Oral evidence that total building society provision (i.e. mortgages & withdrawals) would not exceed 15% of council house sale funding. Marked contrast between age-profile of former council tenants using building society mortgages to move to private sector and age-profile of council house sitting tenant purchasers. Former concentrated below 45 and principally below 30; latter concentrated above 45. Suggests that council house purchasers are predominantly not those who would have purchased in the private sector otherwise.

Present (10%) building society proportion of council house sales funding, applied to increased total levels of sales, even up to 1/4 million per annum, would not require a significant increase in funds, relative to total building society net lending.

% Age Funded by Societies	No. of Sales per Annum			Total Net Lending — 1979
	£m	1000,00	250,000	350,000
10%		67	108	236
30%		156	340	1,680
100%		672	1,680	3,360
				{ £3,600 to £7,000m

Assumptions — £3,400 average disposal price, 80% advance.

Costs of Renting versus Purchasing — only national averages used by BSA so not particularly helpful in identifying particular sectors/areas/types where the rent/mortgage relationship could be more or less advantageous to purchaser, BUT useful table illustrating the sharp effect of mortgage rate reductions upon the rent/mortgage ratio; also emphasised the converse influence of potential real rent rises.

#### NATIONWIDE BUILDING SOCIETY

Building societies funding around 8% of sales — unlikely to increase. Will fund all properties gradually as reserves come through.

Demand — growing proportion of local authority households with economically inactive head likely to limited demand.

Following contrast of age-profiles of LA tenants, LA moves to owner-occupation and LA sitting tenant purchasers.

(Continued)

	<i>L.A. Tenants</i> %	<i>L.A. Move to Owner</i> <i>Occupation</i> %	<i>L.A. Sitting Tenant</i> <i>Purchasers</i> %
Under 30	9	28	1
30-44	31	48	34
45-59	39	19	32
60-69	13	4	9
70 +	20	1	4
	<hr/> 100	<hr/> 100	<hr/> 100

A reference to fact that 1/4 of all council tenants have building society accounts. BMRB Survey showed that 40% of all council tenants would ideally wish to become owner-occupiers in next 10 years, which would imply sales of 350,000 pa. BUT that only 25% expected to become owner-occupiers in next ten years, implying sales of 170,000 pa.

Compare this with present annual move from LA to private sector at 30,000 per annum. Suggests annual rate of sale, with discounts, of just over 100,000 per annum.

- Effect on Mortgage Finance** — **Stow Report** figures are illustrative, not indication of how much societies will fund.
- £100m per annum could be withdrawn by purchasers as part of cash payments for council house sales
- Use of Resources** — depends upon use made by LA of private sector funds from council house sales
- Equity Sharing** — several problems not always apparent at outset — principally later difficulties in buying second half — see also Leonard Williams' oral evidence re "rip-off" perception amongst borrowers.

#### ABBEY NATIONAL BUILDING SOCIETY

Would not favour special allocations for council house sales. Favour council house sales, welcome council house tenants as depositors, the most that save with us the more we can lend, etc.

Mortgage rates in future could be more competitive and higher than in the past.

Relative mortgage rates key to level of sales.

Would expect high proportion of purchasers to be those who could ultimately have purchased elsewhere.

Scheme for gradual transfer of mortgage debts from LA's in annual stages.

October 1980

## SUMMARY OF CLEARING &amp; MERCHANT BANKS EVIDENCE

**Evidence Received From:-**

- all five clearing banks;
- E. P. Chappell, Charterhouse Japhet

**Lloyds Bank**

Do not envisage sales beyond 100,000 per annum, base their projections of future funding flows upon annual sales of only 60,000, or 30,000 increase on 1973 level. This assumption of increase from 30,000 to 60,000 sales per annum at £10,000 average advance gives £300m extra finance required, equivalent to 3% of existing total net annual flows of new housing credit, or 2.7% of all building society and bank credit combined to UK residents.

Conversely, £300m would give minimal saving on PSBR relative to annual £9m figure. Also mention future compensation on local authority current account if future stream of repayments on LA mortgages exceed rent revenues.

Role of bank lending expected to be minimal or nil because they are not competitive enough at bottom end.

Also housing loans are low on Bank of England's qualitative priority guidelines.

**Williams & Glyn**

Banks cannot compete with LA loans on existing price and availability terms. However, W&G willing and able to fund council house sales "... if 30% of finance is to come from private ... " (not very clear how W&G expect to overcome their own confused cost-competitiveness problems, informal contacts suggest that purchasers' personal preferences for shorter-than-25-year terms, and for the bank which they know, may lead to some taking up bank loans; but this is assuming a highly non-economic approach by purchasers). W&G branches situated in high council house areas. Equity-sharing: on individual basis, W&G not interested and unless the sliding scale of payments/liabilities/entitlements between the two "halves" is carefully supervised, this is open to abuse; also W&G suspect that some LAs will not like idea of splitting discount with private companies; on collective tenant association basis, W&G might be interested in participating.

Final interesting point on the destabilising effect of mortgage finance upon the money markets, private financing of council house sales which resulted in a reduction of the PSBR would also lead to a winding-down of banks reserve assets; not a point mentioned by anyone else.

**Mitland Bank**

Emphasis on need to put societies on "all fours" with banks and to dismantle societies' privileges; compare Stow Report's projection of £730m required annually to finance 85,000 council house sales with the total of all clearing bank loans to manufacturing sector of £780m in 1979.

No major management problems in handling individual council house sale mortgages, adequate branch infrastructure and skill etc.

Equity-sharing; administrative problems in attributing gains and responsibilities between purchaser and lender, also of estimating value added by improvements, also the volatility of house values makes valuation difficult, plus the lender's uncertainty over when he will realise his gains.

On the use of resources effect of private sector funding of council house sale, no real answer is offered; depends on use of funds made by LAs, means used to attract the original savings deposits by the private lenders and the redistribution of personal savings as a result.

**Barclays Bank**

Very brief evidence; want to be involved but only towards top end, could come down further in market but expect building societies to do most of the council house sale business. Private financing will put pressure on money market, unless there is equivalent PSBR reduction; even if so, may still change the pattern of financing of government debt (arguably, this has changed dramatically since evidence submitted through Treasury's index-linked and the National Savings Initiative).

(Continued)

*E. P. Chappell* (Vice-Chairman, Morgan Grenfell and Member, Mortgage Review Panel, invited by the Committee to submit evidence in personal capacity).

Prevailing theme that the uncertainties surrounding the sources and direction of financial flows are overwhelming and make future projections impossible, other than in broad generalities.

Like all the practical arguments against equity-sharing schemes but comes down in favour of them on ground that half a loaf is better than none and that equity sharing offers a way in for some people.

The problems of equity-sharing are listed as:-

- (i) how to select index to which equity is related;
- (ii) how to incorporate maintenance costs in calculation of equity share;
- (iii) tax treatment for capital gain;
- (iv) doubts as to state of law regarding enforcement of equity mortgages;
- (v) social viability of housing makes institutional lender wary of involvement and bad publicity arising from enforcement;
- (vi) will house prices move with earnings or in more volatile manner,
- (vii) encouragement to future immobility.

M&G not interested in housing finance on individual basis but would make finance available to new institution set up to specialise in equity-sharing (see Minister's announcement on equity-sharing due on Wednesday 15 October).

Council house sale private funding effect on use of resources and financial flow depends on use made by LA of funds.

#### *Charterhouse Asset*

Not involved or interested in direct mortgage financing for individuals but will raise money wholesale for local authorities etc.

Equity-sharing disadvantageous to purchaser who wishes to trade up, also disadvantageous to lender who wants liquidity or some certainty of timing for his future realisation of equity; probably best for persons since they offer earliest prospect of realisation for lender (but is that not socially dangerous?). Local authority funding of sales is book-keeping transaction only, with no effect on financial markets.

Building society funding has counter-valuing effects; would place substantial short-term pressure on societies but if PSBR is reduced would relieve pressure in gilt market; need, therefore, for wholesale intermediary between societies and institutions.

"As things stand, an accelerated programme of sales of local authority houses will throw a growing strain on building societies, tending to perpetuate high rates of mortgage interest."

#### *Nations Westminster*

Very short and unsentimental. Only limited interest in individual mortgage finance, mostly concerned at top end and on limited periods only (prefer 10 year maximum term); most council house purchasers outside these limits both as regards size of advance and preferring longer repayment period.

Not attracted by equity-sharing schemes.

Concerned at diversion of savings funds away from corporate lending towards local authority spending through private sector funding of council house sales.

## SUMMARY OF BANKS' EVIDENCE BY TOPIC

*Banks Participation*

Clearing banks all seem to lead direct to individuals but aware that they are not competitive with building societies at the lower end of market appropriate to most council house sales. Do not therefore suspect that they will be heavily involved in funding council house sales, particularly since tenants have statutory rights to local authority mortgages. Williams & Glynn the only exception here, but their optimism does not appear to be based on hard fact or anything except possible customer loyalty and desire for shorter-than-25-year mortgages.

Merchant banks not interested in the management problems of individual mortgages but will lend direct to housing finance institutions.

*Flow of Funds Effect*

All qualify conclusions about flow of funds by reference to the use made by local authorities of private sector receipts; Midland adds elaboration that the changes in patterns of savings as a result of private sector funding of council house sales also counts; none, except Lloyds, attempt quantification, and the Lloyds quantification is fairly rudimentary, based on sales of only 60,000 per annum (compare 75,000 last year) and comes out with very low funds required figure of £300m, or 5% of net housing finance per annum (i.e. tends to reflect the calculations already incorporated into Report, but with lower sales and funds figured).

*Equity-Sharing*

All express strong practical reservations about the problems of administering equity sharing schemes, of indexing the equity values in a volatile housing market and assuring reasonable certainty of equity realisation for the lender. E. P. Chappell, still strongly in favour of equity-sharing and of new initiative to organise a RUT note several reservations re mileage for abuse by financial institutions. BSA and Nationwide also expressed reservations.

[Continued]

## HOUSEBUILDERS — SUMMARY OF EVIDENCE RE EFFECT UPON THEIR MARKETS

## CONCERN AT SHORT-TERM SUBSIDISED COMPETITION

- WILCON — No concern since, although first-purchasers are important part of own market, Wilcon is confident about superior quality of its product. Also looking for long-term trading-up benefit.
- BROSELEY — No concern, should not affect first-purchase market. Own company not heavily dependent upon former LA tenants for customers. Long-term benefits for middle market.
- WHELMAR — No effect since former LA tenants are not important source of customers.
- HERON — No adverse effect, particularly since most purchasers will be those who would not otherwise have been able to afford to buy.
- SHEPHERD — Not important influence in short-term since LA tenants' children, rather than tenants themselves, tend to be main source of custom. Long-term effects more interesting as it will increase supply and reduce demand at lower end of market, thus keeping prices down.
- COMBEN  
ASHLEY  
BOYS — No significant impact but 2-year option is unreasonable benefit.  
— No significant short-term effect.  
— No significant effect. Company tends to concentrate on second purchaser market.
- FMB  
LAINO — No.  
— The subsidy to council house sales will, inevitably, reduce private sector sales in the short term compared to what they would otherwise have been.
- LEECH — (Opening paragraph) "... You ask in your initial paragraph what effect a sharply increased council house sale programme, including the 13%-50% discounts envisaged in the Housing Bill would have upon the supply and demand for owner-occupation housing in the markets covered by my company. I can inform you that in the major market in which my company operates, i.e. the 'lower end', the sale of council houses with the said discounts would have a dramatic effect — in fact, I would envisage that the lower end of the market would more or less dry up, other than in the better areas, as we could not compete with the discounted value of the council houses."
- BARRATT — No effect at all. Council houses built apartment will detract from sales, so do not expect large volume sales to be achieved.
- NEBC — Past evidence in 1972 and 1975 suggests that LA moves into owner-occupation have not decreased at times of increased council house sales so that private markets should not be affected since the age-profile of council house purchases is markedly different from the age-profile of other LA tenants moving into owner-occupation.
- IDEAL — "... We would regard sale of Council houses at substantial discounts as a short-term threat in the first time buyer market as the discount gives the local authority a real competitive edge over the developer. ..."
- HBF — Some slight concern from some members about subsidised competition in particular areas, especially with high first-purchaser and low price element, but not much concern overall.

## APPENDIX 6

## House of Commons Environment Committee

COUNCIL HOUSE SALES  
*A Short History of Council Housing*

*Mr Alan Meale*

1.0 *Introduction*

1.1 This note has been prepared following the last meeting of the Committee. It has been kept as brief as possible and the aim has been to outline the growth of council housing and to refer to arguments for and against council housing. Inevitably, many are missed or covered sketchily. Others, which are felt to be of immediate interest to the committee are dealt with more fully.

## 1.2 The memorandum is organised as follows:

- 2 — Background
- 3 — The Origins of Council Housing to 1919
- 4 — Housing Policy Between 1919 and 1945
- 5 — Housing Policy Since 1945
- 6 — Conclusion
- 7 — Some General Issues

A brief legislative chronology and details of council house building is provided as Appendix A and a short list of references is included as Appendix B.

2.0 *Background*

2.1 The background to the development of housing policy in Britain is the high cost, durability and fixed location of housing as a commodity. The cost of housing is high relative to incomes and purchase of the use of housing (unlike many consumer goods) has to be spread. Various mechanisms have developed to achieve this and at the same time to enable the producers of housing to realise their capital and embark on further production. The high cost of housing relative to income lies behind the housing conditions of the Nineteenth Century. Given the level of rent that tenants could pay dwellings were built to low standards and were shared to the extent necessary to provide a return on capital. As incomes rose and rent paying capacity rises so a reasonable return could be made without resort to such low standards. However, historically, the incomes of the lowest paid households have never risen to the point where they could purchase the use of dwellings of a minimum standard (socially and politically defined) and provide the owner a reasonable rate of return on capital. As minimum housing standards have been raised the cost/income gap has often become more marked and subsidy has been necessary to enable consumers to obtain adequate dwellings and producers to obtain a return on capital.

2.2 The Technical volume to the last government's Green Paper *Housing Policy* summarises this situation as follows (TV Part 1 p 3 para 14):

The outlines of 'the housing problem' on successive generations of British Householders, voters, councillors, governments and administrators were to know it had been laid down by 1914 and were coming to be recognised by them. Its three elements were a shortage in quantitative terms, sub-standard houses in stock, and a significant gap between what many householders could pay and the cost of providing separate housing of an adequate standard. In the succeeding 60 years ideas of what constituted a shortage and views about what kind of standard was 'adequate' changed. So did the relationship between housing costs (including interest) and incomes. But the concept of a minimum standard of housing achievable without regard to income has remained and with it the concept of unmet housing needs, and 'housing program' towards meeting those needs.

2.3 This passage is followed by reference to ideas of redistribution of income as a way of dealing with the inability of the poor to afford adequate housing. The development of council housing has represented subsidy of housing rather than people but it is relevant not just to provision of high quality housing for those who could not afford it otherwise. It has



*[Continued]*

also historically contributed to the numbers of dwellings built, the standard they were built to, the speed of replacement of obsolete stock and raising of general housing standards and affected who obtains what dwellings and thus the association between poverty and differences in housing situations.

### 1.0 *The Origins of Council Housing to 1919*

1.1 Accounts of the development of public intervention in housing usually start with descriptions of the urban squalour associated with the industrial revolution. Population growth, migration and rapid industrialisation were not entered for through managed towns expansion. Industrial pollution and living conditions posed a threat to the general health of the whole population, to productivity and to social cohesion. In view of nineteenth century housing conditions it is often regarded as surprising that a genuine housing policy did not emerge sooner. The earliest interventions were public health measures. By 1875 legislation laid down in detail standards and procedures relating to nuisances. By 1890 a reformed local government system had public health powers concerned with the interior arrangements of houses, ventilation of rooms, paving and drainage of premises, an adequate water supply for water closets, the structure of floors, hearths and staircases, the height of rooms, the identification of dwellings fit for human habitation, and the construction, use and repair of houses.

1.2 The public health acts did not remove the need for housing legislation. Even the Act of 1875 was only concerned with individual defects and did not provide powers to deal with slum areas. Nor did they include any powers to undertake action to provide dwellings and combat problems of shortages and overcrowding by building dwellings.

1.3 A more direct housing policy — involving intervention through direct provision or subsidy — was not embarked upon energetically until other options had been attempted and private investment had declined. A marked decline in private investment in the provision of housing was evident long before the introduction of rent control in 1915, and had led to proposals for exchequer subsidy of housing as early as 1909.

1.4 The decline in private investment for rent is associated with the effects of public intervention in raising standards and narrowing profitability given that the rent paying capacity did not increase. It is also associated with the emergence of new markets for capital and ones which yielded a higher rate of return.

1.5 In this context the failure of 'new forms of tenure' to fill the emerging gap was important. The voluntary sector model dwelling associations failed to generate a sufficient return on capital even though rents were too high for low wage workers. The contributions of the building societies, mutual aid organisations and employer housing schemes were not significant.

1.6 The earliest housing legislation is the Lodging Houses Act 1851 which provided powers in respect of lodging houses. Subsequent legislation extended to local authorities powers to enable them to clear and improve individual slum dwellings and then areas of unfit dwellings. Obligations in respect of compensation and rehousing developed haltingly and much local authority clearance activity in the last third of the nineteenth century was not accompanied by rehousing provision. The most widely used piece of housing legislation before 1919 was the Housing of the Working Classes Act 1890 which consolidated measures (but still did not impose a duty) in relation to slum clearance and gave powers for local authorities to provide separate houses or cottages (not just hostels) for the working classes (not just linked to slum clearance rehousing).

1.7 The period before 1919 is marked by a reluctance to envisage a permanent role for the government in housing. Legislation was permissive and unsupported by Exchequer Subsidies, and for example, dwellings constructed in redevelopment areas were (until 1909) to be resold within 10 years. By 1914 only some 24,000 dwellings had been built by local authorities. The rate of building had increased in the years 1912-14 but without subsidy to bring rents within the reach of lower income households direct public provision made little real impact on slum dwellers.

3.8 Dwellings built by local authorities in the nineteenth century were intended for the working classes but in practice poorer sections of the community could not afford subsidised rents (rate bonus subsidy was not universal) and it was the "affluent" working class who benefited — the less affluent merely moved on to properties elsewhere in the private rented sector with lower rents.

The reluctance to incur the costs and responsibilities of providing dwellings in the nineteenth century is normally associated with attitudes to property and the structure of local government prior to the 1890s. In addition, questions of subsidy of housing involved attitudes to poor relief, dependency and commitment to family and work.

3.9 Against this background continuing industrial development and for example, the building of railway systems which cut into the centre of cities through residential areas were sometimes actively reducing dwelling supply and exacerbating problems of housing shortage and overcrowding. Even the tentative steps of governments had something of this effect. Those steps which can be regarded as progressive were often a mixed blessing until they pushed up costs. Without any comparable increase in cost paying capacity incentives to raise standards (and therefore costs) reduced the rate of return on private investment in rented property. In this way the policy responses to the housing problem prior to 1919 attempted to deal with the symptoms of the housing problem rather than its basic economic cause. In doing so the real problems of cost, production, rate of return on capital and rent paying capacity were not dealt with and if anything were exacerbated. After 1914 it is generally argued that political pressures meant that such a situation could no longer continue.

#### *4.0 Housing Policy Between 1915 and 1929*

4.1 While it would be wrong to minimise the changes in housing and housing policy prior to 1915 the period since then has been one of more dramatic and marked change. The period since 1915 has seen a major change in the structure of a housing market increasingly influenced by government. The development of individualised private ownership and of public housing provision and of the institutions and arrangements associated with these have been radical changes. At the turn of the century the great majority of dwellings in Britain were rented from private landlords. By 1938 only 58% of dwellings in England and Wales were owned by private landlords. Thirty-two per cent of dwellings were owner occupied and 10 per cent publicly owned. Over 30% of owner occupied dwellings in 1938 were pre 1914 dwellings and its seems that as many as 1 million rented dwellings were sold to owner occupiers in the period up to 1938. Certainly the very rapid growth of owner occupation was only made possible by such sales. The slower growth in public housing was also affected by differences in new building rates.

4.2 The development of council housing in the inter war years is most easily discussed in connection with major Acts which determined Exchequer Subsidy. The Addison Act of 1919 introduced Exchequer Subsidy and some 150,000 local authority dwellings were built under it by the end of March 1923. In spite of its (partial) success the costs and open ended nature of the Addison Subsidy (the Exchequer met any losses in excess of the product of a penny rate) led to its suspension after 1921. Although measures to encourage private building were consequently maintained subsidy to sustain a public housing programme was not eliminated. The Chamberlain Act in 1923 introduced a unit rather than a deficit subsidy and offered more generous subsidies for slum clearance. The Wheatley Act subsidies introduced in 1924 operated alongside those of the Chamberlain Act. Wheatley subsidies were more generous per unit and paid for 40 (rather than 20) years but required a local rate subsidy equivalent to 50 per cent of the exchequer subsidy. From 1924 until 1929 when the Chamberlain subsidies terminated (Wheatley subsidies operated until 1933), local authorities could choose to build under the Chamberlain Act — with a lower Exchequer subsidy but no required rate subsidy, or under the Wheatley Act. The preference for the Wheatley Act is evident from the fact that 75,369 dwellings were built by local authorities under the Chamberlain Act, and 304,560 under the Wheatley Act. The Wheatley Act 'established the local authorities as part of the permanent machinery for providing working-class houses'. The larger Wheatley subsidy did not result in lower rents than under the Chamberlain Act, but rather in higher standards, more spacious, and more costly dwellings.

*(Continued)*

4.3 Throughout the period to 1930 building was for general needs. Clearance was still undertaken under the Housing Act 1890 and only some 11,000 dwellings had been dealt with under this (using Chamberlain subsidy). The Greenwood Act of 1930 while not intending to terminate general needs building, provided stronger powers and higher subsidy for slum clearance. Rehousing was obligatory and subsidy was related to the number of persons rehoused. Additional subsidy was available where the costs of acquiring and clearing sites were excessive. A rate contribution was required and laid down that local authorities were able to fix reasonable rents and were able to provide rent rebates. Housing accounts however were to balance. In order to encourage action the Act required all local authorities with a population in excess of 200,000 to produce five-yearly plans for dealing with slum clearance and replacement. The Act also laid down criteria for 'Improvement Areas' where wholesale clearance was inappropriate.

4.4 The Greenwood Act was explicitly designed to facilitate the rehousing of the lower income tenants who lived in slum areas. Such tenants were unable to afford the rents resulting from building under the Wheatley Act. The structure of the new subsidy, which would exceed the Wheatley Subsidy in the case of rehousing more than four persons (in urban areas), and the arrangements for rent rebates based on need and income were intended to channel housing resources to lower income households. Before the Greenwood Act had a chance of encouraging the development of slum clearance alongside building for general needs the latter was abandoned. This was encouraged by the rise in private enterprise building after 1934. Whereas in the immediate post-war years private speculative building had been substantially below pre-war levels, by 1935 private sector output had recovered.

4.5 Between 1932 and 1939 dwellings built initially in slum clearance programmes rose from 3,400 to 74,000. In total 265,500 dwellings were completed. The abandonment of general needs building was accompanied by reduction of size of dwellings on the grounds that this would bring prices within the means of the poorer households — but also restraining public expenditure. These low standard properties included an increasing proportion of utilitarian and ill-designed flats and were accompanied by the construction (for decanting) of estates on the edge of cities with high travel costs and poor location in terms of access to jobs, schools and community facilities. This disadvantageous aspect and the cessation of general needs building detract from the achievements of the late 1930s. At a time when building costs were stable at their lowest point between the wars, when cost/income ratios would have favoured local authority building, the private sector was given the major role. The private sector responded and built at unprecedentedly high rates during 1934-9. However, this building did not benefit those who would have become local authority slum clearance tenants. Of the dwellings built by the private sector in this period 74 per cent were for sale and only 15 per cent were both for rental and had a reasonable value (£13 or less) which put them in the 'working class' market.

One other inter-war measure merits reference. In response to local authority pressures the Housing Act, 1936 introduced a statutory duty for local authorities to survey and abate overcrowding. Subsidies were available under special circumstances to enable building for this, although these were limited. More significant, the definition of overcrowding was pitched at a low level. By March 1939 only 24,000 dwellings had been built under this legislation.

### 5.0 *Housing Policy Since 1945*

5.1 During 1939-45 the redeployment of labour and materials away from housebuilding and repair and the damage and destruction of nearly 4 million dwellings left a major housing shortage. The primary role for local authorities in spearheading the housing programme was established before the general election of 1945 in a series of enactments. The Labour government's 1946 legislation introduced higher rates of subsidy and encouraged higher standards of building. Access to low interest loans and new planning procedures also kept costs down. At the same time private building was subject to licensing.

5.2 By 1948, as local authority building completions increased private completions remained low and even declined. Local authority completions rose from 3,364 in 1945 to

190), 368 in 1948, compared with 576 in 1920, 86, 579 in 1922, 120, 492 in 1923 and the previous high point 121,455 in 1939. This very rapid recovery was not sustained and economic crisis led to cuts in activity. In 1949 a new Housing Act introduced grants for improvement or conversion of dwellings in the public and private sector. The Act was also notable in dropping reference to local authority provision as provision of working-class housing. Such restrictions had been disregarded for some years prior to their removal in the 1949 Housing Act.

5.3 The Conservative Government after 1951 achieved new building targets of 300,000 dwellings a year by raising subsidy levels under the Housing Act 1952, by setting higher targets for local authorities and by encouraging private building. Increased local authority building was also facilitated by a reduction in standards. Dwellings built between 1943 and 1951 were built to a standard in excess of those recommended by the Dudley Committee in 1944. In 1948 one quarter of the cost of post-war council houses was attributed to their improved size and amenity standards. The average area of a three-bedroom house in 1946-51 was 37 per cent greater than in the period 1934-39. While the Labour government in 1951 had promoted reduction in 'circulation space' subsequent policy reduced living space and equipment. Between 1949 and 1953 the average floor space of three bedroomed dwellings had fallen by 13 per cent. As a result dwellings built by local authorities in the 1950's were considerably smaller and less well equipped, for example in kitchen storage space, than those built in the 1940's. Only with the publication of the Parker Morris report in 1961 did average dwelling size begin to increase and was there any real commitment of overall dwelling space standards. Such a commitment with its cost implications (a 11 per cent increase for a 3 bedroomed, two-storey dwelling) was not encouraged by central government, and local government responded slowly. By 1964, only 14 per cent of new council dwellings included all Parker Morris standards and 39 per cent included floor-space standards.

5.4 The second shift in policy in the 1950s involved the restriction of local authority building to slum clearance, attempts to revive the privately rented sector and to adopt policies of realistic rents. The Housing Repairs and Rents Act 1954 introduced a new standard and procedure for dealing with slum houses, introduced a subsidy for patching of short-life properties (3-15 year life), and reduced the maximum standard of improvement and life qualification of properties eligible for improvement grants.

5.5 The Housing Subsidies Act 1956 cut the subsidy for general needs construction for dwellings other than flats in four or more storey blocks and by the end of 1956 no subsidies at all were available for general needs with the exception of one bedroom dwellings. After 1953 in spite of increased slum clearance activity (29,000 in 1953; 71,000 in 1964) local authority new building declined.

5.6 One additional policy change was also designed to formalise the protected nature of local authority housing costs. This involved changing the arrangements for local authority borrowing through the Public Works Loan Board. The consequence of this was to expose local authority housing to higher interest rates. At the same time in reducing local authority building for general needs the Housing Subsidies Act of 1956 encouraged multi-storey building. Subsidy levels were increased where blocks of flats were concerned even though the increased construction costs in high-rise building more than outweighed the savings in other costs. While the proportion of approved tenders which were in blocks of flats of five storeys or more averaged 6.9 per cent annually from 1957 to 1959, it rose to 25.7 per cent in 1966 and fell to 9.8 per cent in 1970. As flats in very high blocks declined after 1970 dwellings in blocks of flats of less than five storeys rose from 27 per cent in 1967 to 38 per cent in 1970.

5.7 The Housing Acts 1961, 1967, 1972, 1975 (and 1980) each thoroughly revised the subsidy system. Through the 1960s and 70s issues of financing began to dominate policy, especially as interest rates rose, to the exclusion of other factors. The impact of higher interest rates coinciding with increasing housing programmes in some areas in the 1970s was particularly marked.

5.8 The 1967 Act aimed to reduce the effects on homebuilding of uncertainty about interest charges and reverted back to a deficit rather than fixed unit basis for subsidy. For the first time since 1919 Exchequer Subsidy would vary (linked to the difference between loan charges incurred and charges under a 4 per cent interest rate). The new subsidy system was backed up by a system of cost norms (the cost yardstick) based on building costs per bedspace. Subsidy would only be paid on costs which fell within these norms and no loan sanction would be given where lenders exceeded 110 per cent of norms. As from January 1969 Parker Morris space and heating standards became mandatory. This led to some increase in dwelling standards although by 1967 almost 85 per cent of council dwellings were being built to this standard. These arrangements did not produce space standards comparable with those of 1945-55 and introduced a new detailed cost and negotiation/control system. The revision of the cost yardstick and the operation of exceptions and flexibility around it brought central and local government into a new relationship and could lead to the adoption of 'bad' design to fit the yardstick. For central government revision and administration of the yardstick were ways of regulating tender approaches and building rates.

5.9 The immediate effect of the new subsidy system was to raise the average basic subsidy from about £24 to about £87 per completed dwelling. By 1971 this figure had risen to £187 per dwelling as both construction costs and (up to 1970) interest rates rose. The increase in new council housebuilding was only sustained until 1967 although in 1970 it was still higher than at any stage between 1956 and 1964. Economic crisis led to reduced targets for building and the switch marked by the Housing Act 1969 involved a reduction in building for general needs and a reduction in redevelopment in favour of a strategy of voluntary private sector rehabilitation with more limited consequences for public expenditure. From this period onwards housing policy has not only been strongly affected by subsidy levels but by the broader economic environment and public expenditure policies. Linked with this, central government's concern with the effect of rent increases on inflation became more apparent. The Prices and Incomes Act 1968 required ministerial approval of council rent increases. The Rent (Control of Increases) Act 1969 contradicted the trend in housing policy and placed a maximum on rent increases which did not require ministerial approval. These interventions were concerned with policies of wage and price restraint but, as later experience showed, the level of rents was also critical to required rates of subsidy.

5.10 The Housing Finance Act of 1972 removed local authority discretion in setting rents and granting rebates. In England and Wales council rents were to be linked to the 'fair rents' introduced for private tenancies by the Rent Act 1965. Linked with the increase in rents a new mandatory national system of rent rebate for council tenants was introduced. The legislation of 1972 marked the most complete change in policy since the introduction of Exchequer Subsidies in 1919. It completed the partial abandonment of fixed unit subsidies which had been established in 1923 and continued until 1967. Whereas the Act of 1967 had only introduced a deficit subsidy in respect of new building the Act of 1972 referred to the Housing Revenue Account as a whole.

5.11 The Housing Revenue and Subsidies Act 1973 restored to local authorities the power to fix reasonable rents. It retained the mandatory rent rebate scheme and used the subsidy level operating in 1973 as a base for subsidy calculation. In this way the new scheme retained the principle of a single unified subsidy related to costs incurred. The Act was intended as a temporary measure.

5.12 The Subsidy arrangements included in the Housing Act 1980 are based on those outlined in the Green Paper Housing Policy in 1977 and provide a mechanism for the Secretary of State to determine the local contribution to the Housing Revenue Account and through this and other processes the rents to be met through Exchequer Subsidy.

5.13 While housing finance has dominated debate and legislation in recent years there have been other developments. Improvement policies fostered through CIAs (1969) and HAAs (1974) have involved some participation. The Housing (Homeless Persons) Act 1977, to a lesser extent the Rent (Agriculture) Act 1976 have laid statutory responsibilities on local authorities affecting what is one of their major remaining areas of discretion — allocation policies.

## 6.0 Conclusion

6.1 Problems associated with housing have always derived from the characteristics of housing and its production and the standards and costs involved. The earliest and most consistent public intervention in housing involved setting standards for new and existing dwellings. Essentially this involved intervening to raise the standards above those which those with lower incomes could command in the private market. In the nineteenth century the provision which lower incomes could command directly or indirectly through the impact on new building was at a standard which was a threat to health. It may be argued that in the twentieth century this is no longer true. However, the costs of housing in relation to income remain high. The evidence of situations, where public regulation does not protect the citizen or is unenforced suggests (say in the Baker-Holland report) that the standards which lower income households can command in situations of scarcity are still minimal even without taking account of rising expectations. Thus it can be argued that without state intervention in the housing market, the quality of adequate housing was and would remain insufficient to avoid problems of public health or social unrest.

6.2 Without public intervention in the provision of housing, distributional problems would remain and would involve the distribution of slum dwellings. The key historical role of local authorities has not simply been to redistribute resources but to influence resource provision. Neither the private sector landlord nor the philanthropic and self-help movements were able to remedy problems of basic provision, let alone distribution. The reason for this was partly associated with broader financial developments and relative rates of return on different investments, and partly with the effects of state intervention to raise standards in a market where questions of cost relative to incomes were crucial. The high capital cost of housing of an adequate standard has been crucial in this and other ways. It has also resulted in the development of arrangements to finance housing over a substantial period of time and embark on new investment more rapidly than would be possible otherwise.

## 7.0 Some General Issues

7.1 There are a number of other issues which merit more attention than has emerged from the above discussion. The following discussion is not full and is far from satisfactory but includes comment on issues referred to by members of the committee.

## 8.0 Who Benefits?

8.1 Although council housing has been seen as a way of improving the housing conditions of lower income households a criticism often levelled was that the poorest households have continued to live in the worst housing in the privately rented sector. The generally accepted view of the inter-war period is that while exchequer subsidy had encouraged local authorities to build it had not been sufficient, in view of attitudes to rate subsidies, to bring down rents to a level where they were within the capacity of those with the lowest incomes. The generally accepted conclusion is that the 'market' for local authority houses was largely confined to a limited range of income groups, that is, in practice, the better-off families, the small clerks, the artisans, the better-off semi-skilled workers with small families and fairly safe jobs, and the 'working class families who benefited most directly from the subsidies were the relatively small group of about half a million families who were among the best off'.

8.2 Local authority building did result in lower value houses being built. Thus while all the dwellings built for local authorities between the wars had rateable values under £14 a lb but 14,000 of the private enterprise dwellings had rateable values higher than this. Local authorities were building for households who otherwise could not obtain modern dwellings of equivalent standard. But the ability to channel these dwellings to the poorest households was limited by rent levels, the absence of differential rent schemes and the dictates of good housing management practice which necessitated eviction if rent arrears accumulated. In order to avoid this minimum income requirements were not uncommon in tenant selection — although this could not apply in slum clearance.

*[Continued]*

8.3 The switch to slum clearance did not enable such exclusiveness and selectiveness and increased the prospect of council housing reaching the poorest households (aided by subsidy and falling building costs although also reduced dwelling standards). By 1959 legislation encouraged the development of rent rebate schemes and simplified rent fixing arrangements by requiring local authorities to pool all their housing income and expenditure into a single Housing Revenue Account. Thus irrespective of the Act individual dwellings were built and subleased under, all dwellings were included in a single account. It was only necessary to balance this account rather than each of a series of accounts associated with dwellings built under different Acts. This consolidation of accounts provided greater opportunity to devise differential rent schemes but by 1958 only 112 local authorities were operating rebate schemes. But in view of low and largely undifferentiated working-class incomes the failure to channel housing to the worst off cannot be attributed to a failure to develop rebate schemes. The problems rested in the level of subsidy available rather than its distribution. Exchange subsidies were not sufficient to bring down the rents and the wage levels of tenants were not so varied for there to be a large enough group not 'needing' subsidy so that subsidy could be concentrated. The problem in the inter-war period remained one of general poverty. A gap continued to exist between the cost of tenancy housing and the wages of the mass of tenants and prospective tenants. Exchange subsidies had partially narrowed the gap, but insufficiently.

8.4 Some of these factors have continued to apply since 1959. The levels of subsidy have not consistently held rents at a level the poorest could afford but with the development of rent rebates and the effects of historic costing and rent pooling this has become less marked. Residential qualifications and management practice have been argued to have excluded certain vulnerable sections of the community or to have channelled them into the worst dwellings. Bearing these points in mind however, it is clear that the proportion of lower income households who are council tenants has increased rapidly. As the private rented sector has declined as local authority housing has come to be the major source of housing for the poor, it is still possible to argue that the public sector does not sufficiently cater for the poor. But this debate begins in itself to raise another issue which has been important for a number of years. This involves consideration of how far council housing should provide a service for anyone who prefers to rent or for a wide social mix rather than for a homogeneous group of the deprived and how far this implies giving priority to some who have less 'need' in order to maintain a social mix, or maintain community and family life or enable the exercise of choice.

8.5 As council housing has increasingly developed towards a 'welfare' role discussion of 'social mix' has become more common. In many ways this is the opposite of the 'who benefits' debate. As council housing becomes more socially distinct issues of stigmatisation and segregation associated with housing tenure have become more apparent. This aspect of council housing also relates to differential levels of subsidy and ability to accumulate wealth.

## 9.0 *Variable Quality of Council Housing*

9.1 The current council housing stock includes dwellings built to different standards and designs, of different ages and qualities. Whereas at one time it seemed appropriate to regard all council housing as of a high standard this is no longer so. Acquired properties and some improved pre-war dwellings may be deficient in terms of amenities and condition. More obviously those council dwellings built in the 1930s and at other periods to lower standards are increasingly rejected by tenants. Problems of damp and noise exist in more modern and improved dwellings. In addition dwellings differ in terms of location, access to jobs and schools etc, size, space standards, privacy, play space, reputation, popularity, floor height. Various design aspects make them more or less suitable for children, the elderly or any particular client group. In this sense the stock is not uniform and analysis is increasingly concerned with who obtains the best and the worst council housing rather than simply with access to the tenure itself. Thus for example discussion of race and housing has been concerned with whether ethnic minorities are concentrated in particular estates and in the least desirable parts of the council housing stock.

## 10.0 *Geographical Location*

10.1 The numbers and role of council dwellings vary considerably between districts. Some local authorities are very large landlords. In 1977, for example, Birmingham and Manchester each had over 160,000 dwellings and only Solihull of the metropolitan districts had fewer than 10,000 in their ownership. In contrast some three quarters of all non-metropolitan districts in both England and Wales had fewer than 10,000 dwellings. Tonstall with 1,293 dwellings, Severnside (1968) and Christchurch (2063) had the fewest dwellings — fewer than many housing associations. Any analysis of the variations in the size and characteristics of the public housing stock and of correlations with these variations highlights the lack of any single universal relationship. Neither housing need, political control or local financial resources can be seen to determine variations. What is apparent is that throughout the period of provision of council housing local authorities have exercised discretion in various ways and as a response to various pressures and each local authority is particularly constrained by the nature of its inherited housing stock.

10.2 The size of the local authorities' dwelling stock is not a simple reflection of population size. A clear geographical pattern has been noted. Council housing is particularly important in the industrial conurbations of the North and West Midlands with a few additional places — Hull, Nottingham and Norwich — having unusually large public sectors. In contrast authorities with a very few council houses include coastal resorts and relatively wealthy commuter areas surrounding conurbations. The situation in London is more complex although council housing tends to be more important in inner London Boroughs. The nature of the public housing stock also varies between authorities. The London Boroughs have the highest proportion of flats and of single bedroomed dwellings. The non-metropolitan districts tend to have fewer flats and fewer one bed roomed dwellings.

## 11.0 *Satisfaction, Preference and Choice*

11.1 The evidence in this area is highly suspect. Surveys which have attempted to address this come up against a number of problems including post facto rationalisations of decisions and the trade-offs and range of variables involved. For example preference for owner occupation in certain areas may be a preference for a house with a garden rather than for the tenure form in itself. In addition many responses are to hypothetical questions and issues of effective demand and the practical exercise of choice are not addressed.

11.2 Very few analyses of housing now start with a model of choice. They are more likely to emphasise differential access and a limited range of choice within identified constraints. Thus, for example, many council tenants have no choice other than to rent. Nevertheless there is recent survey evidence on these matters. The most frequently cited survey of tenure preference was commissioned by the National Economic Development Office and carried out by BMRB in 1975. Respondents were asked in which accommodation they would most like to be living in two years time. Nearly seven out of ten respondents gave owner occupation as their first choice; of these three fifths were already in that tenure. Nearly three out of ten said they would most like renting in one form or another, and nearly all of these were already in rented accommodation. Only 2 per cent of owner-occupiers gave the public sector as their first choice, and an even smaller percentage gave the private rental sector. Other surveys cover different areas and ask other questions. However, they confirm the BMRB findings that a higher proportion of people than are in owner-occupation would like to be in that tenure. In addition to the doubts expressed previously these surveys asked hypothetical questions and the preferences expressed cannot be expected to indicate what real choices would be made. In addition the preferences relate to advantages and disadvantages associated with tenures when these are not necessary or inherent attributes. Thus for example, the style of management associated with renting is not the only possible style; investment advantages could be made available to tenants; repairs and other services could be made available to owners. In this context the reasons why particular tenures are preferred are more important than the statistics of tenure preference.



*(Continued)*

11.3 Survey evidence on satisfaction with aspects of housing can again be criticised. The numbers expressing dissatisfaction tend to be much smaller than the numbers expressing preference for a tenure other than the one in which they are. Thus in the National Dwelling and Housing Survey (1977) 82 per cent of respondents were very satisfied with their accommodation. Only 10 per cent of owner occupiers said that they were less than satisfied with their accommodation; for all other tenures the equivalent proportions were around 25-30 per cent. But again this is not simply a comment on tenure but is affected by differences in physical conditions, sharing, overcrowding etc. This complication also applies to the findings of the English House Condition Survey 1978. This indicated that local authority tenants are more likely to be dissatisfied with disrepair than owner occupiers. Over 40 per cent of council tenants in dwellings in need of rehabilitation were dissatisfied compared with 24 per cent of owner occupiers in similar condition dwellings. Again, though, there are other differences in levels of occupation, family circumstances, area and environment which affect 'dissatisfaction'.

11.4 Evidence on satisfaction makes more sense taken in conjunction with evidence about the perceived advantages of alternative tenures. The BMRB Survey (and others) identified various advantages associated with owning. In particular these involved financial/investment advantages, choice and elements of freedom/independence and pride. The advantages of renting are more likely to refer to the lack of extras to pay, to levels of rent and availability of rebates and to maintenance/repair services. Disadvantages in both cases tend to refer to these items. For example, in tenants' views that rent is dead money with nothing to see for it and that rents continue steadily increase or in owners' views of maintenance and repair costs and services.

11.5 In conclusion the available evidence can be heavily criticised: it indicates a preference for owner-occupation but it also indicates a preference which relates to current rather than necessary attributes of tenures. It also indicates sizeable groups who prefer renting and some owners who are reluctant or forced owners. The strongest indication from the evidence is of the scope to change the attributes of renting as a tenure. This focuses attention on issues of the style of management but also on resources available within the tenure.

## 12.0 *Requirements for Council Housing*

12.1 The evidence cited above can not be regarded as providing an adequate picture of demand for council housing. Requirements for housing in different tenures are determined by needs, demands and preferences as well as by the policies and actions of local authorities and other agencies involved in providing dwellings and financing housing. The complexity of factors and changing circumstances affecting tenure requirements has precluded precise estimates being made of the number of dwellings required in each of the main tenures. In place of this, various approaches have tended to be adopted —

- estimating the demand for owner occupation (itself problematic) and sharing the 'residue' between other tenures;
- (more sensibly) forecasting future supply in the private sector (including rented) and identifying the 'gap' to be filled if certain objectives and standards are to be achieved;
- working from demographic forecasts on assumptions about the demand/preference in each group;
- identifying aggregate needs stemming from waiting lists (taking account of non-registered and definitions of need) and other rehousing commitments and projecting these forward.

Each of these methods has problems and each also begs questions about what the social role of council housing is intended to be — whether it is to be a residual role or not.

12.2 For the purpose of this note the last of the approaches indicated is most relevant. There are something like 1 to 1.4 million households registered on local authority waiting lists. Few of these are in overcrowded or unfit dwellings or dwellings lacking amenities, but the medical and social needs involved are unknown. In addition many of those in the worst housing are not registered. The generally accepted view is that planning and estimating to arrive at more realistic figures has to be carried out at a local level and has to take account of local circumstances. In this context there are other aspects of demand—

- future slum clearance and urban renewal programmes are likely to involve council acquisition or replacement building. This will include the replacement of obsolete council dwellings;
- the decline of the privately rented sector will create certain demands which in theory are more easily catered for through renting. Thus the Green Paper *Housing Policy* referred to the following groups of families affected by the decline in private renting: mobile workers; one parent families; married couples without children and facing a long period of saving prior to home ownership; single people with modest incomes. Elsewhere the Green Paper refers to the following groups possibly facing special difficulties in obtaining suitable housing: lower income households; homeless people; one parent families; battered women; the physically disabled; the mentally ill and mentally handicapped; old people; single people; mobile workers; ethnic minorities.

13.3 Some of these examples imply that different solutions are more appropriate at different stages in the family cycle. Others suggest that local authority housing will increasingly need to respond to demands from groups unable to buy and previously using the private rented sector. These considerations do not provide the basis for calculating a single figure of 'need' for council housing. However, it is arguable that local housing planning can only address itself to expressed needs evident in the locality and consider alternative ways of meeting those needs and the practicability and desirability of their being met in the private sector rather than working to some general target. In this sense the question of need for council housing is linked to the nature of the housing problem as a series of local problems and the view expressed in the Green Paper and elsewhere is that need can best be arrived at through a series of local assessments within a framework of national policies.

### 13.4 *Claims and Criticisms of Council Housing*

13.1 The basic difficulty in discussing the pros and cons of council housing is that there are few necessary and inherent defects. It is possible to agree that most of the criticisms including those made in comparison to owner occupation could be met through policy action. The judgement involved here is about ability to implement such changes. It is considered possible to make such changes then the major claims made for council housing would be positive and would refer to accountability, capacity to plan and ensure minimum standards of provision and capacity to disperse resources according to whatever criteria are considered appropriate. In addition it is argued that there are basic positive advantages in a system of historic costing of housing especially if there are not major fluctuations in new investment.

13.2 Against this background the range of criticisms levelled at council housing include general references to inefficiency and bureaucracy and more specific references to the style of management (paternalism, discrimination, stigmatisation), financial disadvantages (wealth, access to credit), mobility and choice, lack of tenant control, quality of maintenance and repair services. There is relevant research on some of these issues including mobility and choice. Much of this indicates that criticisms are often over general and simple. For example, a large element in differential mobility is accounted for by age and other characteristics of tenants. At the same time the deficiencies identified are not all easily remedied. For example, there is current emphasis on improving training of housing staff. But the deficiencies are not so easily remedied. Many critiques of council housing argue that the deficiencies derive from the fact that throughout its history council housing has been principally concerned with managing scarcity. The need to refuse housing or to decide who should only be offered poor housing lies behind the way council housing operates.

*(Continued)*

COMPLETIONS OF LOCAL AUTHORITY DWELLINGS IN GREAT BRITAIN  
1920-1953

YEAR	COMPLETIONS
1920	576
1921	16,786
1922	86,579
1923	67,662
1924	19,386
1925	22,882
1926	49,388
1927	83,948
1928	120,492
1929	69,677
1930	72,268
1931	63,996
1932	79,013
1933	68,156
1934	72,343
1935	57,306
1936	70,486
1937	87,423
1938	92,647
1939	121,653
1940	60,926
1941	20,122
1942	3,883
1943	4,695
1944	4,922
1945	3,364
1946	23,017
1947	97,348
1948	190,368
1949	163,946
1950	163,670
1951	162,584
1952	184,820
1953	229,303

(Continued)

**COMPLETIONS OF LOCAL AUTHORITY DWELLINGS IN GREAT BRITAIN  
1920-1979**

YEAR	COMPLETIONS
1924	223,751
1925	181,331
1926	134,971
1927	134,137
1928	131,634
1929	114,334
1930	118,338
1931	105,529
1932	116,434
1933	112,760
1934	140,132
1935	151,305
1936	160,425
1937	181,467
1938	170,214
1939	162,910
1940	137,067
1941	134,000
1942	104,533
1943	88,148
1944	100,279
1945	129,885
1946	129,302
1947	119,644
1948	96,156
1949	73,614
1950	76,389(F)

SOURCE: S. MERRITT, *Slum Housing in Britain*, R. & B. LP, 1979 pp. 129-131 and C.O.B. Housing and Construction Statistics.

(F) Provisional

(Continued)

**COMPONENTS OF CHANGE OF HOUSING STOCK BY TENURE:  
ENGLAND AND WALES  
1914-1975 (millions)**

	Owner Occupied	Local authorities and New Towns	Private landlords and Miscellaneous	Total
<b>1914-55</b>				
New building	+ 1.8	+ 1.1	+ 0.9	+ 3.8
Purchases (+) or sales (-)	+ 1.1	neg.	- 1.1	0
Demolitions and changes of use	neg.	neg.	- 0.3	- 0.3
Net	+ 2.9	+ 1.1	- 0.5	+ 3.5
<b>1955-60</b>				
New building	+ 1.3	+ 2.3	+ 0.1	+ 3.7
Purchases (+) or sales (-)	+ 1.5	+ 0.2**	- 1.7	0
Demolitions and changes of use***	- 0.1	neg.	- 0.4	- 0.5
Net	+ 2.7	+ 2.5	- 2.0	+ 3.2
<b>1960-75</b>				
New building*	+ 2.6	+ 1.6	+ 0.3	+ 4.5
Purchases (+) or sales (-)	+ 1.1	+ 0.1	- 1.2	0
Demolitions and changes of use	- 0.2	- 0.8(5)	- 0.8	- 1.8
Net	+ 3.5	+ 1.5	- 1.7	+ 3.3

Notes:

neg. means negligible

(\*) Excludes conversions

(\*\*) Mainly requisitioned during the war and subsequently purchased

(\*\*\*) Includes 0.3 million destroyed by air attack

(5) Mainly 'pre-war'

Source: Housing Policy T VI p 39

*A Brief Legislative Chronology*

## APPENDIX A

1851 *Lodging Houses Act* Provision of Lodging houses in which sexes were to be separated and rents not to be beyond the means of workers nor to be a means of poor relief.

1858 *Artisans' and Labourers' Dwellings Act* (Torrens Act) Demolition of individual dwellings. Amended in 1879.

1875 *Artisans' and Labourers' Dwellings Improvement Act* (Cross Act) Power to purchase and clear areas of unfit dwellings. Amended in 1879 and 1882.

1875 *Public Health Act* Housing bye-laws made under this.

1885 *Housing of the Working Classes Act* Amended Lodging Houses Act to redefine a lodging house to include separate dwellings.

1890 *Housing of the Working Classes Act* Consolidated and amended previous legislation on individual dwellings and areas and provided for local authority housing for general needs.

1900 *Housing and Town Planning Act* relaxed certain previous restrictions.

1915 *Increase of Rent and Mortgage Interest (War Restrictions) Act*.

1919 *Housing and Town Planning etc. Act* (Addison Act) Introduced Exchequer subsidy to cover losses in respect of a rate penny rate.

1923 *Housing Act* (Chamberlain Act) Exchequer subsidy at £6 p.a. per dwelling for 20 years. No rate subsidy required. Subsidy applied to 1929.

1924 *Housing (Financial Provisions) Act* (Wheatley Act) More generous exchequer subsidy. Rate subsidy required. Subsidy repealed 1933.

1930 *Housing Act* (Greenwood Act) Criteria for clearance areas. Obligation to rehouse all displaced. Rate rebate powers. Exchequer subsidy linked to number of persons rehoused.

1935 *Housing Act* Surveying and abating overcrowding.

1938 *Housing Act* Uniform subsidy for slum clearance and decrowding.

1939 *Rent and Mortgage Interest Restriction Act* Abolished discount by vacant possession and imposed controls on all houses below specified rateable values.

1944 *Housing (Temporary Accommodation) Act* Manufacture and erection of temporary houses.

1944 *Housing (Temporary Provisions) Act* Extended 1938 subsidies to general needs housing.

1946 *Housing (Financial and Miscellaneous Provisions) Act* Annual Exchequer subsidy £16.20s. p.a. and rate subsidy £5 10s p.a. for 60 years.

1948 *Housing Act* Housing provision not restricted to 'the working class'. Assistance for dwelling improvement or conversion.

1952 *Housing Act* Increased annual subsidy.

1954 *Housing Repairs and Rents Act* A new standard of fitness and improvement grants.

1956 *Housing Subsidies Act* Cut subsidy especially for general needs construction. Special rates of subsidy for flats in four or more storeys.

1957 *Housing Act* Consolidating.

1958 *Housing (Financial Provisions) Act* Consolidating.

1959 *House Purchase and Housing Act* Standard and discretionary grants. Subsidy for improvement even to dwelling originally built with subsidy.

1961 *Housing Act* New subsidy system related to deficit on HRA.

1967 *Housing Subsidies Act* New subsidy system related to cost of borrowing. Higher subsidies for high-rise building abandoned.

1969 *Housing Act* Improvement grants relaxed. General Improvement Areas.

1972 *Housing Finance Act* 'Fair rents'. Mandatory rent rebates. Non-reckonable (for subsidy) expenditure fell on rate fund. Residual subsidy on reckonable expenditure related to deficit on HRA.

1974 *Housing Act* Housing Action Areas.

1975 *Housing Rents and Subsidies Act* Fair rents abandoned and discretion in rent setting reintroduced. Mandatory rent rebates continued. New subsidy system.

1977 *Housing (Homeless Persons) Act* Statutory duty to house certain groups.

1980 *Housing Act*

[Source — based on S. Merrett *op.cit.* 309-319]

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*(Continued)*

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## APPENDIX II

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*[Continued]*

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## ANNEX I

## LETTERS WITH QUESTIONNAIRES SENT TO ORGANISATIONS

*To Associations of Local Authorities**18th February, 1980*

Dear Sir,

**Sale of Council Houses**

The Environment Committee was set up by Order of the House of Commons on 25th June, 1979, as a Select Committee to examine the expenditure, administration and policy of the Department of the Environment and its associated bodies. The Committee is currently looking into issues affecting the rented housing sector and will first take evidence on the financial and social implications of the sale of council houses. I have been asked to invite your written evidence on behalf of your member authorities about the likely effects of the sale of council houses. The Committee realises that the preparation of evidence of this kind is a troublesome task, but hopes that you will feel able to undertake it.

We have approached direct those authorities mentioned in the enclosed list\*. They have been asked whether they can provide us with certain written information. A copy of the Questionnaire which has been sent to them is also enclosed†. The Committee would be grateful if you would arrange for any other of your members who would wish to do so to give written evidence, particularly if in your opinion those views should be brought to the attention of the Committee. While a general statement of views would be welcome, it would be very much more valuable if evidence could be related to the specific questions in the questionnaire.

On the basis of the written evidence the Committee will invite some of those who have contributed to give oral evidence also. An indication of the willingness of your Association and any of its members to appear before the Committee would be welcome.

*Yours faithfully*

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\*Not Printed.

†Printed Volume II page 2.



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[Continued]

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### *Construction Companies*

*18th February, 1989*

#### **Sale of Council Houses**

The Environment Committee, of which I am Chairman, was set up by Order of the House of Commons on 25th June, 1979, as a Select Committee to examine the expenditure, administration and policy of the Department of the Environment and its associated bodies. We are currently looking into the issue of the rented housing sector and will first take evidence on the financial and social implications of the sale of council houses. I am writing to invite your written evidence about the likely effects of the sale of council houses. I realise that the preparation of evidence of this kind is a troublesome task, but I hope that you will feel able to undertake it. In particular we are interested in evidence from you on six questions in the enclosed questionnaire\*.

Although I realise that the time available for preparing your replies is short, it is very important that the Committee should complete its enquiries quickly, and we hope that you will be able to reply by 17th March.

When we have considered the written evidence we shall invite a number of local authorities and other organisations to give oral evidence to the Committee. If you would be willing to give oral evidence I would be grateful if you could indicate this when replying.

Evidence should be sent to:—

The Clerk to the Environment Committee  
Committee Office  
House of Commons  
London SW1A 6AA

R. Douglas-Mann  
Chairman

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\*Printed page 98

### Questionnaire

We should be particularly interested in your views and evidence on the likely effect of a sharply increased council house sale programme, including the 33% to 50% discounts envisaged in the Housing Bill, upon the supply of, and demand for, owner-occupied housing and your markets. For the sake of speed and ease of reply, we shall be pleased to receive your comments in whatever form and framework is most convenient and suitable for you to compile. However, as a guideline to the direction of our analysis, some relevant questions for consideration are given below.

- (a) On a national level, are the projections made in the Housing Policy Review Green Paper in 1977 of annual private new housing demand in Great Britain at around 190,000 dwellings still valid?
- (i) How likely is the private housebuilding industry to raise its output from the present annual average of around 135,000 towards this higher level in the Green Paper projection?
- (ii) Would a marked rise in the annual council house sales contribute towards bridging the gap in meeting owner-occupied demand? Or would it be largely irrelevant to the rest of the private housing market?
- (iv) To what extent do you regard first-purchasers from the public-rented sector as an important source of customers? To what extent would the proposals for council tenants' right to buy at 33%-50% discount (and with a two year price freeze for those buying a £100 option) affect your first-purchaser market? What would be the difference between short term and the longer term effects? Is there likely to be any element of subsidised competition or do you operate in such different housing types that the council house sale discount etc. is irrelevant?
- (v) What effect do you expect on your markets from future resales of former local authorities' dwellings?
- (vi) Do you have any concerns about the effects on your sales of new dwellings resulting from changes in the cost and availability of mortgage finance due to increased council house sales?

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[Continued]

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*To Credit Institutions**18th February, 1979***Sale of Council Houses**

The Environment Committee, of which I am Chairman, was set up by Order of the House of Commons on 25th June, 1978, as a Select Committee to examine the expenditure, administration and policy of the Department of the Environment and its associated bodies. We are currently looking into the issue of the rented housing sector and will first take evidence on the financial and social implications of the sale of council houses. I am writing to invite your written evidence about the likely effects of the sale of council houses. I realise that the preparation of evidence of this kind is a troublesome task, but I hope that you will feel able to undertake it.

While a general statement of your views would be welcome, it would be very much more valuable if your evidence could be related to the specific questions contained in the enclosed Questionnaire\*. I have also written to a number of householders on the issue of how council house sales affect the supply of and demand for private housing. I am enclosing a copy of that questionnaire† also in the hope that you may feel able to answer some of these questions as well.

When we have considered the written evidence we shall invite a number of local authorities and other organisations to give oral evidence to the Committee. If you would be willing to give oral evidence I would be grateful if you could indicate this when replying.

Although I realise that the time available for preparing your replies is short, it is very important that the Committee should complete its enquiries quickly and we hope that you will be able to reply by the 17th March. Evidence should be sent to:—

The Clerk to the Environment Committee  
Committee Office  
House of Commons  
London SW1A 0AA

B. Douglas-Mann  
Chairman

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\*Printed page 100

†Printed page 98

### Questionnaire

We are particularly interested in your views and evidence on the likely impact of a sharply increased council house sales programme upon the cost and availability of mortgage finance. For the sake of speed and ease of reply, we shall be pleased to receive your comments in the most convenient form for you to compile. As a guideline, however, to the main direction of our analysis so far, we list some relevant questions for consideration below:—

- (i) What policy approach would you expect the building society movement/your own society to take towards funding council houses purchasers? What proportion of the council house sales do you expect the movement to fund?
- (ii) We appreciate that this funding could take a dual form: namely, the use of money from Building Society savings accounts by council house purchasers as a deposit, plus the advancing of loans by societies to purchasers. Can you make any approximate assessment of these two likely effects?
- (iii) The recent "STOW Report" on mortgage finance from the Building Societies Association concluded that the building society movement can fund housing demand from its traditional sources if it maintains a competitive rate structure. Does this mean a permanently higher real level of mortgage rates, relative to other rates in the economy, in the future than we have been accustomed to in the past?
- (iv) What view have you formed of the likely extent of council house sales over the next year, the next 3 years and the next 10 years?
- (v) To what extent are council house sales likely to be to tenants who would otherwise have sought Building Society loans for purchases in the private sector?
- (vi) What impact would you foresee upon the cost and availability of mortgage finance if council house sales increased to 100,000 250,000 or 500,000 per annum? What would be the difference if any, if Building Societies were asked to fund (a) 10% or less of these, (b) half of these, (c) all of these?
- (vii) Do you agree with the view in the DoE's Appraisal Document that the demand for mortgage finance on the resale of council houses is likely to arise on average only after 30 years? What is your own estimate of the size and rate of growth of this source of demand for mortgage funds?
- (viii) The ISA has set out the case that loan finance for the purchase of existing dwellings does not use real resources. Does this argument apply to a sharp increase in building society funding of council house sales? Could you consider your reply in the context of the provisions of the Housing Bill and the arrangements for local authority use of net capital receipts?
- (ix) The likely take-up of council house purchase rights will depend greatly upon the size of the differential between the tenants' current/prospective rent payments and the purchasers' immediate/prospective mortgage repayments. Have you carried out any studies of this differential and the degree to which it affects potential purchasers' decisions? Further, do you foresee that the prospect of a permanently higher-real mortgage rate (see in above) would affect such decisions?
- (x) Do you expect that some additional council house sales could be funded by other financial institutions under equity sharing schemes? What are your views on the viability of such a proposal, both for the borrower and lender?

(Continued)

*To Clergy and Merchant Banks**(15th February, 1980)***Sale of Council Houses**

The Environment Committee, of which I am Chairman, was set up by Order of the House of Commons on 25th June, 1979, as a Select Committee to examine the expenditure, administration and policy of the Department of the Environment and its associated bodies. We are currently looking into the issue of the rented housing sector and will first take evidence on the financial and social implications of the sale of council houses. I am writing to invite your written evidence about the likely effects of the sale of council houses. I realise that the preparation of evidence of this kind is a troublesome task, but I hope that you will feel able to undertake it.

While a general statement of your views would be welcome, it would be very much more valuable if your evidence could be related to the specific questions contained in the enclosed Questionnaire\*. I have also written to a number of leading building societies on these issues. I am enclosing a copy of that questionnaire† also in the hope that you may feel able to answer some of these questions as well.

When we have considered the written evidence we shall invite a number of local authorities and other organisations to give oral evidence to the Committee. If you would be willing to give oral evidence I would be grateful if you could indicate this when replying.

Although I realise that the time available for preparing your replies is short, it is very important that the Committee should complete its enquiries quickly, and we hope that you will be able to reply by 17th March. Evidence should be sent to:—

The Clerk to the Environment Committee  
Committee Office  
House of Commons  
London SW1A 6AA

B. Douglas-Mann  
Chairman

\*Printed page 103

†Printed page 180

### Questionnaire

We shall be particularly interested in your views and evidence upon (a) the degree to which your bank/institution will wish to participate in financing council house sales within the context of your overall policy on housing finance and (b) the likely impact which you, as a close observer of the financial scene, foresee upon the supply/demand/price of money as a result of a sharp increase in council house sales. We should be pleased to receive any comments which you have upon these questions, as well as your consideration of the following specific points.

1. To what extent does the funding of council house sales offer attractive business opportunities to your bank/institution? Would you consider this on the basis of a fixed interest loan, a variable interest loan, an indexed equity-participating loan or some other arrangement? To what extent would the management problems of residential property deter you?
2. Do you expect that some additional council house sales could be funded by other financial institutions under equity sharing schemes? What are your views on the viability of such a proposal, both for the borrower and the lender?
3. To what extent do you agree with the thesis that the attraction of saving funds into house purchase finance places no extra pressure upon money demand/supply, over and above the funding of new housebuilding and renovation ("real resources"). What would you reckon to be the likely effect on the financial markets of a large increase in the annual rate of council house sales, if (a) societies financed them all, (b) societies and local authorities financed half each and (c) local authorities financed them all?

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[Continued]

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*To County Planners etc.*

*18th February, 1980*

### **Sale of Council Houses**

1. The Environment Committee was set up by Order of the House of Commons on 25th June, 1979, as a Select Committee to examine the expenditure, administration and policy of the Department of the Environment and its associated bodies. The Committee is currently looking into issues affecting the rented housing sector and will first take evidence on the financial and social implications of the sale of council houses. I have been asked to invite your written evidence about the likely effects of the sale of council houses. The Committee realises that the preparation of evidence of this kind is a troublesome task, but it is hoped that you will feel able to undertake it.

2. The Committee are interested in any evidence and views on the effects of the sale of council houses and on the effect of an increase in the number of sales in the future. For the sake of speed and ease of reply we should be pleased to receive your comments in whatever form is most convenient for you. However, as a guideline to the direction of the Committee's analysis I enclose copies of the list of questions which have been put to a selection of local housing authorities\* and to the Department of the Environment†. The Committee would welcome any evidence and views on these matters. In addition they would welcome your views on the following point:

What impact has and will the sale of council houses have on local planning strategies, e.g. on policies to provide housing for local needs, to maintain and sustain local communities, and demand for local services such as education, to meet local employment needs, to pursue policies concerned with second homes, retirement migration and other objectives.

3. When the Committee has considered the written evidence it will invite a number of local authorities and other organisations to give oral evidence. If you would be willing to give oral evidence I would be grateful if you could indicate this when replying.

4. Although it is realised that the time available for preparing your replies is short, it is very important that the Committee should complete its enquiries quickly, and we hope that you will be able to reply by the 17th March.

*Clerk to the Committee*

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\*Printed Volume II page 2

†Printed Volume III page 136

*To Individuals**11th February, 1980*

Dear Sir,

**Sale of Council Houses**

1. The Environment Committee was set up by Order of the House of Commons on 25th June, 1979, as a Select Committee to examine the expenditure, administration and policy of the Department of the Environment and its associated bodies. The Committee is currently looking into issues affecting the rented housing sector and will first take evidence on the financial and social implications of the sale of council houses. I have been asked to invite your written evidence about the effects of the sale of council houses. It is realised that the preparation of evidence of this kind is a troublesome task, but I hope that you will feel able to undertake it.

2. While a general statement of your views would be welcome, it would be very much more valuable if your evidence could be related to the specific question below:—

- (i) What is your view of the financial implications of the sale of council houses and of the assumptions made in the Department of the Environment's financial appraisal dated January 1980?
- (ii) What do you consider the broader financial and economic consequences of council house sales will be? (e.g. on demand for borrowing, on interest rates and on the effects for manufacturing and other investment)?
- (iii) What evidence do you have concerning the social effects of council house sales?
- (iv) What effects on the distribution of income and wealth do you expect to result from council house sales?

Although I realise that the time available for preparing your replies is short, it is very important that the Committee should complete its enquiries quickly, and it is hoped that you will be able to reply by 17th March. Evidence should be sent to:—

The Clerk to the Environment Committee  
Committee Office  
House of Commons  
London SW1A 0AA

B. Douglas-Mann  
Chairman



(Continued)

## ANNEX II

Written Evidence received on the Sale of Council Houses Enquiry and placed in the Library of the House of Commons.

[Those marked \* also gave oral evidence]

*Local Authorities*

- Sewage Development Corporation (CH 1)
- Bracknell Development Corporation (CH 11)
- \*South Lakeland District Council (HC 535-a)
- Middlesbrough Borough Council (CH 13)
- North Norfolk District Council (CH 20)
- Cannock Chase District Council (CH 22)
- Woodspire District Council (CH 24)
- \*Allerdale District Council (HC 535-b)
- Mid-Suffolk District Council (CH 28)
- Huntingdon District Council (CH 29)
- Scunthorpe Borough Council (CH 30)
- Cleethorpes Borough Council (CH 31)
- Welwyn Hatfield District Council (CH 32)
- City of Oxford (CH 37)
- City of Norwich (CH 40)
- Metropolitan Borough of Wigan (CH 41)
- \*Crawley Borough Council (HC 535-c)
- East Cambridgeshire District Council (CH 50)
- Peterborough Development Corporation (CH 52)
- \*London Borough of Southwark (HC 535-d)
- East Hampshire District Council (CH 58)
- City of Sheffield (CH 59)
- Caradon District Council (CH 60)
- Bolton Metropolitan Borough (CH 62)
- City of Westminster (CH 63)
- Oxford Borough Council (CH 68)
- West Lancashire District Council (CH 71)
- North Shropshire District Council (CH 72)
- \*Tameside Borough Council (HC 535-e)
- Milton Keynes Development Corporation (CH 74)
- Borough of Walsall (CH 75)
- Amber Valley District Council (CH 76)
- Borough of North Wolds (CH 77)
- Borough of Ipswich (CH 78)
- Basildon Council (CH 79)
- Walsley District Council (CH 84)
- City of Newcastle upon Tyne (CH 86)
- City of Bristol (CH 87)
- City of Bradford Metropolitan Council (CH 89)
- \*London Borough of Wandsworth (HC 535-f)
- Sewage Borough Council (CH 94)
- Blackwell District Council (CH 95)
- City of Stoke-on-Trent (CH 97)
- Tenby District Council (CH 98)
- City of Wakefield Metropolitan District Council (CH 99)
- City of Liverpool (CH 100)
- Metropolitan Borough of Knowsley (CH 101)
- City of Peterborough (CH 103)
- \*Leeds City Council (HC 535-f)
- Metropolitan Borough of Stockport (CH 106)
- Malden Borough Council (CH 109)
- Blackpool Borough Council (CH 110)
- North East Derbyshire District Council (CH 111)
- City of Nottingham (CH 113)

City of Kingston upon Hull (CH 114)  
 London Borough of Merton (CH 115)  
 Borough of Haringey (CH 118)  
 Harrow (CH 120)  
 Basildon District Council (CH 121)  
 Salford City Development Corporation (CH 122)  
 Metropolitan Borough of Wolverhampton (CH 123)  
 Newbury District Council (CH 126)  
 \*Greater London Council (HC 535-a)  
 London Borough of Lambeth (CH 130)  
 Slough Corporation (CH 131)  
 Basildon Development Corporation (CH 132)  
 City of Manchester (CH 133)  
 London Borough of Hounslow (CH 134)  
 South Westfordshire District Council (CH 135)  
 \*City of Birmingham (HC 535-a)  
 London Borough of Camden (CH 139)  
 The Royal Borough of Kensington and Chelsea (CH 140)  
 London Borough of Newham (CH 143)

*Associations of Local Authorities*

Association of District Councils (CH 137)

*Construction Companies*

Wilson Homes Ltd (CH 3)  
 Broxley Estates Ltd (CH 9)  
 Wheelcar Ltd (CH 13)  
 Heron Corporation Ltd (CH 17)  
 Shepherd Homes (CH 18)  
 Corbett Group Ltd (CH 26)  
 Ashley Homes Ltd (CH 27)  
 Bown Homes Ltd (CH 35)  
 House Builders National Executive Committee (CH 46)  
 John Lilling Ltd (CH 47)  
 William Leach Ltd (CH 49)  
 Barron Developments Ltd (CH 54)  
 National House Building Council (CH 56)  
 National Federation of Building Trades Employers (CH 60)  
 \*The House Builders Federation (HC 535-vii)  
 Ideal Building Corporation (HC 139)  
 The Federation of Civil Engineering Contractors (CH 6)

*Credit Institutions*

Abbey National Building Society (CH 4)  
 Alliance Building Society (CH 16)  
 \*Building Societies Association (HC 535-vi)  
 Cheltenham and Gloucester Building Society (CH 83)  
 Nationwide Building Society (CH 102)

*Clearing/Merchants Banks*

Williams & Glyn's Bank Ltd (CH 23)  
 National Westminster Bank Ltd (CH 32)  
 Morgan Grenfell & Co (CH 34)  
 Chasehouse Japan Ltd (CH 38)  
 Lloyds Bank Ltd (CH 68)  
 Midland Bank Ltd (CH 70)  
 Barclays Bank U.K. Ltd (CH 82)  
 The Life Offices' Association (CH 127)

*Government Departments and Public Bodies*

\*Department of the Environment (HC 535-x)  
 Comptroller and Auditor General (Written evidence printed on p. 1, Volume III.)

*[Continued]**County Planning and other Planning Authorities*

- Hertfordshire County Council (CH 21)
- Peak District National Park (CH 42)
- Corwall County Council (CH 51)
- Lake District National Park (CH 64)
- Bedfordshire County Council (CH 106)

*Professional Bodies and other organisations*

- Child Poverty Action Group (CH 8)
- Cumbria Branch of the Association of District Councils (CH 35)
- CHAR, Campaign for Single Homeless People (CH 12)
- CLRS, University of Birmingham (CH 19)
- Nottingham Alternative Publications (CH 26)
- \*CHAS, The Catholic Housing Aid Society (HC 335-46)
- The Disability Alliance (CH 44)
- BRAG, Battersea Redevelopment Action Group (CH 45)
- The Royal Institute of Chartered Surveyors (CH 52)
- The Institution of Civil Engineers (CH 61)
- SHAC, The London Housing Aid Centre (CH 63)
- The Institute of Housing (CH 67)
- The Law Society (CH 80)
- Royal Institute of British Architects (CH 88)
- Age Concern (CH 90)
- The Royal Town Planning Institute (CH 104)
- \*The Chartered Institute of Public Finance and Accountancy (HC 335-v)
- National Consumer Council (CH 116)
- Commission for Racial Equality (CH 117)
- Housing Centre Trust (CH 126)
- The Institute of Cost and Management Accountants (CH 125)
- Standing Conference of Rural Community Councils (CH 128)
- Shelter (CH 141)
- National Tenants Organisation (CH 144)

*Individuals*

- Professor J. Wozman, University of York (CH 7)
- Professor C. D. Harbury, The City University (CH 10)
- Councillor M. Roberts (Aldershot) (CH 2)
- Councillor J. O. T. Underwood (Wiltshire) (CH 5)
- A. Crawford (CH 92)
- \*B. Kilroy (HC 335-v)
- D. Bowe (CH 138)
- Councillor G. Dimson C.B.E. (CH 143)